

DEPARTMENT OF THE INTERIOR

NATIONAL PETROLEUM COUNCIL

CONFERENCE

Department of Interior Building

Washington, D. C.

January 21, 1947

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Reviewer R.L. Green

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EXCERPTS "relative to exploration, production, refining, transportation marketing, or pricing of petroleum and its products outside the United States."

	<u>Exploration</u>	<u>Production</u>	<u>Refining</u>	<u>Trans.</u>	<u>Marketing</u>	<u>Pricing</u>
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Other

Pages	<u>19-24</u>	<u>(H. J. Porter - Anglo-American Oil Treaty)</u>	_____
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Excerpts pertain solely to petroleum outside the United States - in the rest of the world - in any foreign country and abroad. Excerpts do not include any matter dealing with petroleum inside the United States.

DEPARTMENT OF THE INTERIOR
NATIONAL PETROLEUM COUNCIL

Room 5156
Department of Interior Building
Washington, D. C.
January 21, 1947

The conference was convened at 10:00 o'clock a.m.,

Mr. Walter S. Hallanan, Chairman, presiding.

COUNCIL MEMBERS:

H. T. Ashton, President
Western Petroleum Refiners Association
c/o Socony-Vacuum Oil Company, Inc.
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St. Louis, Missouri

Jacob Blaustein, President
American Trading & Production Corporation
American Building
Baltimore 3, Maryland

Paul G. Blazer, Chairman of the Board
Ashland Oil & Refining Company
Ashland Oil & Refining Building
Ashland, Kentucky

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Alma, Michigan

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Independent Petroleum Association of America
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Producers Refining Company, Inc.
West Branch, Michigan

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Standard Oil Company of California
225 Bush Street
San Francisco, California

Walter S. Hallanan, President
Plymouth Oil Company
Benedum-Trees Building
Pittsburgh, Pennsylvania

D. P. Hamilton, President
Root Petroleum Company
Commercial National Bank Building
Shreveport 90, Louisiana

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700 Mercantile Building
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San Joaquin Valley Oil Producers Association
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Cities Service Oil Company
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New York 5, N. Y.

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Seaboard Oil Company of Delaware
30 Rockefeller Plaza
New York 20, N. Y.

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Deep Rock Oil Company
155 North Clark Street
Chicago, Illinois

J. Howard Marshall, President
National Stripper Well Association
c/o Ashland Oil & Refining Company
Ashland, Kentucky

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New York 18, N. Y.

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Oil Department
Farmers Union Central Exchange
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St. Paul, Minnesota

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Second National Bank Building
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Pennsylvania Grade Crude Oil Association
c/o Columbia Oil & Gas Corporation
805 Atlas Building
Columbus, Ohio

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Roeser and Pendleton, Inc.
613 Fort Worth Club Building
Fort Worth, Texas

A. H. Rowan
A. H. and C. L. Rowan
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Skelly Oil Company
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Tulsa, Oklahoma

H. L. Thatcher,
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American Association of Oil Well Drilling Contractors
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P. O. Box 270
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Ohio Petroleum Marketers Association
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Geological Survey

Dr. W. E. Wrather
Don L. Carroll
T. A. Hendricks

Labor Relations

Duncan Campbell

Oscar Chapman, Under Secretary

REPRESENTATIVE OF BUREAU OF THE BUDGET:

W. Barton Greenwood

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Army-Navy Petroleum Board
Colonel O. F. Kotick, U.S.A., Chief, Plans Division,
Member of Army-Navy Petroleum Board (Alternate for
Colonel Vogel)
John Loftus, Chief, Petroleum Division, Department of State
James H. Mayes, Chief of Fuels & Lubricants Section,
Department of Commerce
Mr. E. G. Craig, Federal Power Commission
Raymond E. Kerr, Director of Transportation and Fuels
Branch, Office of Temporary Controls-Civilian
Production Administration

LEGAL COMMITTEE:

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Charles L. Harding
George Koegler
John Suman

OTHERS:

Admiral Frederick J. Horne, Chairman of the Army-Navy
Petroleum Board and Special Assistant to the
Chief of Naval Operations
General Leroy Lutes, War Department General Staff,
Director of Service, Supply and Procurement

* * *

P R O C E E D I N G S

MR. HALLANAN: Gentlemen, may I ask the Council to come to order, please.

We have a pretty full day, and I am very anxious that we complete our work during the day, and for that reason I hope we can move forward expeditiously.

I will ask the secretary to call the roll. We have some new members of the Council, and as their names are called, I should like for them to rise so that the Council can recognize them.

MR. JAMES V. BROWN: Mr. Adams.

(No response.)

MR. JAMES V. BROWN: Mr. Ashton.

MR. ASHTON: Here.

MR. JAMES V. BROWN: Mr. Barton.

(No response.)

Mr. Bay.

(No response.)

Mr. Blaustein.

MR. BLAUSTEIN: Here.

MR. JAMES V. BROWN: Mr. Blazer.

MR. BLAZER: Here.

MR. JAMES V. BROWN: Mr. Boyd.

MR. BOYD: Here.

MR. JAMES V. BROWN: Mr. Brazell.

MR. BRAZELL: Here.

MR. JAMES V. BROWN: Mr. Bridwell.

(No response.)

Mr. Brown.

MR. RUSSELL B. BROWN: Present.

MR. JAMES V. BROWN: Mr. Cowden.

(No response.)

Mr. Crocker.

(No response.)

Mr. Dawes.

(No response.)

Mr. DeGolyer.

MR. DE GOLYER: Here.

MR. JAMES V. BROWN: Mr. Donnell.

(No response.)

Mr. Dow.

MR. DOW: Here.

MR. JAMES V. BROWN: Mr. Drake.

MR. DRAKE: Here.

MR. JAMES V. BROWN: Mr. Duke.

MR. DUKE: Here.

MR. JAMES V. BROWN: Mr. Dunn.

MR. DUNN: Here.

MR. JAMES V. BROWN: Mr. Dunnigan.

MR. DUNNIGAN: Here.

MR. JAMES V. BROWN: Mr. Edwards.

(No response.)

Mr. Fenton.

(No response.)

Mr. Ferguson.

(No response.)

Mr. Follis.

MR. FOLLIS: Here.

MR. JAMES V. BROWN: Mr. Glenn.

(No response.)

Mr. Hallanan.

MR. HALLANAN: Here.

MR. JAMES V. BROWN: Mr. Hamilton.

MR. HAMILTON: Here.

MR. JAMES V. BROWN: Mr. Hamon.

MR. HAMON: Here.

MR. JAMES V. BROWN: Mr. Hardey.

MR. HARDEY: Here.

MR. JAMES V. BROWN: Mr. Hill.

MR. HILL: Here.

MR. JAMES V. BROWN: Mr. Holliday.

(No response.)

Mr. Holman.

(No response.)

Mr. Hulcy.

MR. HULCY: Here.

MR. JAMES V. BROWN: Mr. Humphrey.

(No response.)

Mr. Hunt.

(No response.)

Mr. Jacobsen.

MR. JACOBSEN: Here.

MR. JAMES V. BROWN: Mr. Jennings.

MR. JENNINGS: Here.

MR. JAMES V. BROWN: Mr. Jergins.

MR. JERGINs: Here.

MR. JAMES V. BROWN: Mr. Carl A. Johnson.

(No response.)

Mr. Charles S. Jones.

(No response.)

Mr. W. Alton Jones.

MR. W. ALTON JONES: Here.

MR. JAMES V. BROWN: Mr. Lerch.

(No response.)

Mr. Lloyd.

(No response.)

Mr. Lovejoy.

MR. LOVEJOY: Here.

MR. JAMES V. BROWN: Mr. Maguire.

(No response.)

Mr. Majewski.

MR. MAJEWSKI: Present.

MR. JAMES V. BROWN: Mr. Mattei.

(No response.)

Mr. Marshall.

MR. MARSHALL: Yes.

MR. JAMES V. BROWN: Mr. McGowen.

(No response.)

Mr. Morrill.

MR. MORRILL: Here.

MR. JAMES V. BROWN: Mr. Mosher.

MR. MOSHER: Here.

MR. JAMES V. BROWN: Mr. Moyle.

MR. MOYLE: Here.

MR. JAMES V. BROWN: Mr. Nolan.

MR. NOLAN: Here.

MR. JAMES V. BROWN: Mr. O'Shaughnessy.

(No response.)

Mr. Parten.

MR. PARTEN: Here.

MR. JAMES V. BROWN: Mr. Pew.

(No response.)

Mr. Pogue.

MR. POGUE: Here.

MR. JAMES V. BROWN: Mr. Frank M. Porter.

MR. FRANK M. PORTER: Here.

MR. JAMES V. BROWN: Mr. H. J. Porter.

MR. H. J. PORTER: Here.

MR. JAMES V. BROWN: Mr. Pyles.

MR. PYLES: Here.

MR. JAMES V. BROWN: Mr. Reitz.

(No response.)

Mr. Ring.

MR. RING: Here.

MR. JAMES V. BROWN: Mr. Robineau.

(No response.)

Mr. Rodgers.

(No response.)

Mr. Roeser.

MR. ROESER: Here, Mr. Brown.

MR. JAMES V. BROWN: Mr. Rowan.

MR. ROWAN: Here.

MR. JAMES V. BROWN: Mr. Rowsey.

(No response.)

Mr. Shannon.

(No response.)

Mr. Sinclair.

(No response.)

Mr. Skelly.

MR. SKELLY: Here.

MR. JAMES V. BROWN: Mr. Taylor.

(No response.)

Mr. Thatcher.

MR. THATCHER: Here.

MR. JAMES V. BROWN: Mr. van der Woude.

MR. VAN DER WOUDE: Here.

MR. JAMES V. BROWN: Mr. Vandever.

(No response.)

Mr. Vaughn.

(No response.)

Mr. Warren.

MR. WARREN: Here.

MR. JAMES V. BROWN: Mr. Weber.

MR. HALLANAN: Mr. Warren, will you rise, please. Mr. Warren is President of the American Association of Oil Well Drilling Contractors. We are glad to greet you, Mr. Warren.

MR. JAMES V. BROWN: Mr. Weber.

MR. WEBER: Here.

MR. JAMES V. BROWN: Mr. Whaley.

(No response.)

Mr. White.

(No response.)

Mr. Wiess.

MR. WIESS: Here.

MR. JAMES V. BROWN: Mr. Wilson.

MR. WILSON: Here.

MR. JAMES V. BROWN: Mr. Zook.

MR. ZOOK: Here.

MR. JAMES V. BROWN: There is a quorum present.

MR. HALLANAN: A quorum is present, gentlemen.

The minutes of the previous meeting have been mailed to all the members. What is your pleasure?

MR. HILL: I move approval.

MR. HALLANAN: It is moved that the minutes be approved. Is there a second?

MR. JONES: Second.

MR. HALLANAN: All those in favor will indicate by saying aye.

(Chorus of ayes.)

Contrary, no.

(No response.)

So ordered.

The next order of business is the report of the nominating committee. The Chair recognizes Mr. van der Woude as chairman.

MR. VAN DER WOUDE: In regard to the chairmanship, we had very little difficulty in arriving at a conclusion. We consulted various people in different parts of the country with regard to a number of people, and without any exception the reaction was that they hoped Mr. Hallanan would accept

the position of chairman.

So the committee recommends Mr. Walter Hallanan for the chairmanship. "

(Applause.)

MR. HALLANAN: May I ask you to take the Chair and preside for this part of the ceremony.

MR. VAN DER WOUDE: With regard to the vice-chairmanship, our thoughts were that we ought to try and take into consideration geographical conditions, that it might be advisable to have a representative as vice chairman from a different part of the country, perhaps, particularly, California.

We also thought that we might see whether, in the person of the vice chairman, we could catch representation of the gas business instead of purely and simply the oil business. We have talked with California people, and also with people from other parts of the country, and finally came to the conclusion that Mr. N. C. McGowen would be the best candidate for the position of vice chairman.

I spoke to Mr. McGowen because we didn't want to put the name up to you without knowing whether he would accept the position. I understood this morning that he would be willing to take it if he were nominated, so the committee recommends Mr. N. C. McGowen for the vice-chairmanship.

(Applause.)

MR. MAJEWSKI: Mr. Chairman, Mr. van der Woude, I would

like to move that the Secretary be instructed to call for a unanimous ballot electing Mr. Walter Hallanan chairman of this Council for this year, and Mr. N. C. McGowen as vice chairman of this Council for this year.

MR. LOVEJOY: Second.

MR. VAN DER WOUDE: All in favor say aye.

(Chorus of ayes.)

Contrary?

(No response.)

It is unanimously carried.

(Applause.)

MR. HALLANAN: Gentlemen of the Council, you have vested me with a distinct honor. I accept it with gratitude as an expression of your confidence which I hope I shall be able to merit. It is an honor that no man can accept lightly because it brings with it a real responsibility. I approach this responsibility with a feeling of humility.

The Council will be charting new courses in this unique experiment of government-industry cooperation in peace-time. We will inherit many problems that come from the adjustment of post-war economic conditions. They will be important problems, problems that will try our souls in many respects, but I have confidence that we can succeed. But we can only succeed if we all pull together, and I can only succeed in the chairmanship if I may have the friendly counsel, support, and cooperation

of every member of this Council.

I am very proud to be associated with this group of men who have been called upon by the Secretary of the Interior to represent our great industry. I am proud of this recognition in being chosen as your first chairman, and we shall meet these responsibilities as we go along. I think of you not only as men who have made tremendous achievements in industry, but also I think of you as men who appreciate the value of friendly cooperation in the industry.

We accepted the challenge of war when war came, and we did a job that attracted the admiration of the whole world. We did a job that few men ever dreamed could be done; we did it by cooperation with the government. I think we can accept this challenge that we have had passed on to us with the same ideals of going forward as a team, and with the same effort of cooperation that proved so fruitful during the war.

We all recognize that we live in a new era. We certainly must keep our faces to the future. We cannot expect to live in the prejudices of the past. And here, today, as members of this Council, we gather and dedicate ourselves to cooperation in meeting those problems which relate to the common good of this great nation.

We have not been asked to surrender our freedom. That has been made crystal clear. We have only been asked to cooperate with our Government in meeting those problems that

relate to the elimination of confusion in our Government, and those problems that are very close to our national security. To my mind, those requests we cannot deny. Those are matters of public duty which we owe to our country and to our industry, and I think that by dedicating ourselves to those problems, and with the men who have experienced what we have gone through heretofore, we can start today in this unique experiment of peace-time government-industry cooperation with complete confidence that we can do a job.

I thank you again for the honor you have done me.

(Applause.)

MR. H. J. PORTER: Mr. Chairman, may I be recognized.

MR. HALLANAN: Mr. Porter.

MR. H. J. PORTER: I have a statement I would like to read.

Exhibit B.
"I am certain that a vast majority of the independent oil producers in Texas are opposed to the ratification of the Anglo-American Oil Treaty. These same people believe that this Council was created with the ultimate purpose of acting as liaison between the International Commission that would be set up under the Treaty and our domestic oil producing industry. I am in perfect agreement with their thinking on these matters, and the problems that have been submitted to the Council for consideration up to date have certainly not been of sufficient importance to warrant business men from all over

the United States traveling clear to Washington to consider them. I think they were just axle grease to keep the buggy ready for the wild ride that domestic oil production is going to be given when and if that Treaty is ratified.

"There has been much in the papers, mainly from those in Government positions, to the effect that considerable domestic production should be shut in or sharply curtailed in order that around a million barrels of foreign crude oil could be imported and marketed in this country, and thereby assure us of adequate oil supplies in the event of war. The profit incentive may be influencing the American companies that are the larger owners of foreign oil reserves and who are in the forefront of the movement to procure ratification of the Anglo-American Treaty, and also seem to be very much interested in keeping this Council as a permanent organization. I do not blame them if they are, because it is their duty to their stockholders to make as much money as they possibly can for them in a legal manner. I am not opposed to reasonable foreign imports of oil and petroleum products, but I am opposed to imports to an extent that would cripple the domestic oil producing industry.

"Let's give the advocates of these large imports, the Treaty and this Council -- they are all three tied together and are inseparable -- credit for being motivated entirely by a desire to have this country self-sufficient in so far as

petroleum is concerned in the event of war. Then let us examine the practicability of their idea. I do not pose as an expert on national defense or petroleum either, but I do make it a practice to keep informed on public affairs and current events.

"On December 7, 1941, the domestic oil producing industry was the only industry in this country that was ready for war. The transportation of oil even then from Texas to the Eastern Seaboard became hazardous and costly and the transportation of oil from South America was practically cut off. If we are to believe what the scientists tell us, we might suffer several attacks in the first few hours of war, any one of which might make the Pearl Harbor attack seem a sham battle.

"So, from a national defense standpoint, it is folly for this nation to depend to any degree whatever upon foreign supplies of crude oil or products. Those who would try to sell this country on the idea that we can put any dependence whatever upon a supply from the Middle East in the event of war with a European power either have ulterior motives or are just plain dumb.

"So, if the objective is to make this country self-sufficient in oil in the event of war, then the proper and sensible thing to do would be to exclude all imports and build up a synthetic petroleum industry to supplement our natural petroleum resources. This synthetic industry could be built up gradually at negligible cost to consumers of petroleum

products and would, at the same time, create a new industry, thereby helping the entire domestic economy instead of injuring it like the importation of excessive amounts of foreign produced crude oil would do. The synthetic plants could be located in strategic areas where no added burden would be placed upon our transportation system in the event of war. The 'common sense' thing to do is to import a reasonable amount of oil and stop this silly talk of shutting in domestic production and crippling that industry by excessive imports of foreign produced oil or products.

"The Secretary of the Interior has stood before this Council and made the statement that he had no desire to obtain Federal regulation of the oil industry. However, he was quoted in the papers a few days ago as stating that he would recommend to Congress that they enact a law to regulate the burning of flared gas. You gentlemen all know that would be just a left-handed way of taking over control and regulation of the oil producing industry. It is a fact that you cannot regulate the amount of gas and the disposition thereof that an oil well produces without regulating the oil production of that well also.

"As I have stated previously in our meetings here, the ultimate aim, in my opinion, of the Department of the Interior and of the State Department is for international and national control and regulation of the oil industry. I think this

Council is meeting here every three months, when it is so apparent that there is no necessity for such meetings or any necessity for the Council either, so that we build up the prestige of the Oil and Gas Division of the Department of the Interior to the point that they can go to the Congress and ask for power to control and regulate the oil industry and their influence will be so great that it will be very difficult, if not impossible, to defeat their aim.

"We should be telling the American people the fine job the oil industry has been doing and will continue to do in conserving this great natural resource and in furnishing them petroleum products at a price less than they were paying 25 years ago in spite of the fact that direct sales taxes have been levied on all these products by the different States and the Federal Government, and we should call their attention to the fact that they have at all times had adequate supplies of petroleum products in the remotest hamlets and crossroads except during the war, instead of running up here to Washington every 90 days and thereby inferring that we need the help of a Federal bureau in conducting our business.

"The idea of conservation of oil and gas didn't originate in Washington, but originated nearly 20 years ago in Texas, and the people of Texas, through their Railroad Commission and Legislature, have done everything economically possible to conserve these great natural resources and at the same time furnish

sufficient oil to meet the market demand for Texas crude oil and its products. The prime motive for Federal control of the oil industry has always been just to create new bureaus and new political machines. There has never been any reason for it from a conservation standpoint. The people of Texas do not need and do not want the help of Washington bureaucrats in running their oil business. Since more than half of the crude oil reserves of this nation are located in Texas, oil producers in Texas have an obligation to the people of this country to use the best conservation practices that research and experience will develop and we will meet that obligation in the future as we have in the past. If the result of the November 5, 1946 election showed anything, it showed that the people of this country want no part of bureaucratic regimentation and regulation of business with the resulting shortages and high prices.

"When it is so apparent that the Oil and Gas Division of the Interior Department was set up in order to have an excuse for the creation of a National Petroleum Council and the Division is totally unnecessary, Congress would be wise in refusing their request for an appropriation of almost one-half million dollars for the next fiscal year."

MR. MAJEWSKI: I move that the report be received and placed on file.

MR. ROESER: Second.

MR. HALLANAN: You have heard the motion. Are there any remarks?

MR. H. J. PORTER: Mr. Chairman, I would like to say I didn't offer any report. I just wanted to express my views of this set-up.

MR. FRANK M. PORTER: Mr. Chairman.

MR. HALLANAN: Mr. Porter.

MR. FRANK M. PORTER: I would like to suggest to the gentleman from Houston that this, as I understand it, is a purely invitational affair, and why anybody who thinks that there is no merit to this Council will run all the way from Houston up here, 1,500 miles, is beyond me.

MR. MAJEWSKI: There is a motion before the house.

MR. H. J. PORTER: Mr. Chairman, all I have to say to my cousin Frank is this. The last time I was up here, I made a motion, as you all recall, to adjourn this Council for a short time, a couple of years, I think it was, and didn't get a second to it. But during the noon recess, there were four men, members of this Council, who came to me and said they felt that 95 per cent of the members felt like I did.

MR. HALLANAN: Are you ready for the question? All in favor signify by saying aye.

(Chorus of ayes.)

Contrary, no.

(No response.)

So ordered.

We have a few routine matters here, gentlemen, with reference to the creation of headquarters and the establishment of offices for the Council. We have been fortunate in securing a lease on some offices on Connecticut Avenue, a very modest lay-out, and I want Mr. Brown to present the lease to the Council for its consideration and approval.

MR. RUSSELL B. BROWN: Mr. Chairman, I won't read all the lease. It is the usual formal lease they make and you sign in Washington if you get a place to sit down.

The rental provided for is \$1,800 for the year, \$150 a month, payable monthly, thereby establishing that it is a modest headquarters.

It is necessary, however, to have it approved. I had a formal resolution for that, and I would like to present that later in the day, if I may. I don't know where it is.

MR. HALLANAN: May we have a motion?

MR. MAJEWSKI: In the absence of the formal resolution, I move the adoption of the resolution approving the headquarters.

MR. W. ALTON JONES: Second.

MR. HALLANAN: You have heard the motion. All those in favor will indicate by saying aye.

(Chorus of ayes.)

Contrary, no.

(No response.)

So ordered.

Next is the Treasurer's report.

MR. RUSSELL B. BROWN: Mr. Chairman, I have been acting as treasurer, and I hope now that you are getting established this acting business will be made more permanent in the form of somebody who can give it more detailed attention.

We have collected, up until yesterday -- those two checks came in yesterday -- as a result of the letters sent out, \$20,500.07. When the office was opened, our association made a temporary advance for \$1,000, which means that we have collected \$21,500.07.

MR. HILL: Who gave the 7 cents?

(Laughter)

MR. RUSSELL B. BROWN: It was a part of a check for a larger amount.

We have actually spent and paid \$2,446.97 on meetings and clerical expense, postage, office supplies, and so forth. We still have obligations of about \$3,000 for additional material such as office furniture and so forth, but we have now in the bank \$19,053.10.

MR. HALLANAN: That is --

MR. RUSSELL B. BROWN: If there is any detail of it you want, I would be glad to give it to you.

MR. HALLANAN: I think at the same time you might present

the depository report.

MR. RUSSELL B. BROWN: I think it is entirely proper, and I don't know why these two resolutions were not brought, but we have a resolution designating a depository. I think it is important and necessary that the Council approve a depository. We suggest the Riggs National Bank of Washington, D. C.

MR. W. ALTON JONES: I move the approval.

MR. HILL: Second.

MR. HALLANAN: All those in favor will indicate by saying aye.

(Chorus of ayes.)

Contrary, no.

(No response.)

So ordered.

I think, gentlemen, that clears up the routine matters in relation to our organization.

We are privileged to have here as our guests this morning, some of the representatives of the Interdepartmental Petroleum Committee, who have been invited to sit in on the sessions of the Council. I want to present them to you so that you may know them.

Captain Ralph E. Wilson, U. S. Navy, Deputy Executive Officer, the Army-Navy Petroleum Board.

(Applause.)

Colonel O. F. Kotick, U. S. Army, Chief, Plans Division,
and a member of the Army-Navy Petroleum Board.

(Applause.)

Mr. John Loftus, Chief of the Petroleum Division of the
Department of State.

(Applause.)

Mr. James H. Mayes, Chief of the Fuels & Lubricants
Section of the Department of Commerce.

(Applause.)

Mr. Raymond E. Kerr, Office of Temporary Controls,
Civilian Production Administration, Director of Transporta-
tion and Fuels Branch.

(Applause.)

MR. MAJEWSKI: Mr. Chairman, if there is a little lull
in the proceedings --

MR. HALLANAN: There isn't, Mr. Majewski. I want to pre-
sent Dr. Sayers, Director of the Bureau of Mines.

(Applause.)

Mr. R. A. Cattell of the Bureau of Mines.

(Applause.)

Dr. Arno Fieldner of the Bureau of Mines.

(Applause.)

Mr. T. H. Miller of the Bureau of Mines.

(Applause.)

Dr. W. E. Wrather, Director of the Geological Survey.

(Applause.)

Mr. Don L. Carroll of the Geological Survey.

(Applause.)

Mr. T. A. Hendricks of the Geological Survey.

(Applause.)

Mr. Duncan Campbell of the Labor Relations Division.

(Applause.)

Mr. W. Barton Greenwood of the Bureau of the Budget.

(Applause.)

Now, while we are waiting for the new director to come in, Mr. Majewski, we will be glad to hear from you.

MR. MAJEWSKI: I have a very simple request to make. I see that Item 10 on the agenda is the report of the Agenda Committee, and that after the introduction and presentation of distinguished guests and visitors is concluded, we get in to the discussion of the important subjects, and I suggest that the report of the Agenda Committee be distributed in advance of the presentation so that we may have an opportunity to study it and discuss it intelligently.

MR. HALLANAN: We had in mind to do that just before Mr. Hill presented it, but we have no objection to distributing it now if you want it.

MR. MAJEWSKI: Thank you.

MR. HALLANAN: Gentlemen, may I call your attention to the fact that Mr. Brown is now distributing to the members

the letters received from the Director of the Oil and Gas Division under date of January 13, and also under date of January 14, which constitute the basis of the report of the Agenda Committee which you will receive later.

(Discussion off the record.)

MR. HALLANAN: Gentlemen of the Council, we are very fortunate this morning in having with us at this meeting Mr. Davies, who has given much to the birth of this Council and whose interest, I know, will follow it at all times.

Mr. Davies left the Oil and Gas Division as its acting director a few weeks ago and was succeeded at that time by Mr. Max W. Ball. I know that we regretted deeply to have Mr. Davies leave this post. We all had worked with him during the war years. We knew him in a way that inspired our complete confidence and respect and affection. But he has chosen to retire from the governmental field at this time, and we are very fortunate in his successor. He is a man who is no stranger to the oil business. He knows it up and down and backward again. I know it is going to be a great satisfaction to us to work with a man of the experience and background of Max Ball, Director of the Oil and Gas Division.

I want to make a double-header introduction here. I want to introduce Mr. Ralph Davies to you, or, rather, present him to you, and then I think it would be perfectly appropriate for Mr. Davies to introduce his successor,

Mr. Ball.

Mr. Davies.

(Applause.)

MR. DAVIES: Mr. Chairman, gentlemen, perhaps I should clarify a bit what your chairman has said as to my official role.

I resigned, as you probably know, from the position of Acting Director of the Division in December, having at that time found an able successor, and feeling that I could properly withdraw. Part of the deal, however, with the Secretary and my successor, was that I should continue to function in a consulting way as it might be felt that my further services could be helpful and as my personal situation might admit. That I agreed to do, and so I am participating in the meeting here this morning in that capacity.

I am, as Mr. Hallanan says, more than ordinarily interested in the success of this operation. I did have something to do with the creation of the new peace-time machinery. I believe in it completely, and I am intensely interested in seeing it succeed. To whatever extent I can contribute myself further to that success, I am more than happy to do so.

I learned this morning of the election of officers by your Council, and I learned of it with the deepest satisfaction. The Council has made very wise selections, in my judgment, and those selections will go far, I think, toward

assuring the success of the Council, assuring the success of the government-industry operation in peacetime. I know the men you have chosen, and I know them, of course, to be highly capable men, but more particularly do I know them to be earnest men. ~~I~~ I know that they would not assume the responsibilities of the offices that you have assigned to them unless they believed in this undertaking, unless they were prepared to make a genuine effort to make of it a success. I know that they wouldn't undertake the work that is assigned them unless they were prepared to deal with it in the most sincere and energetic way, and it seems to me that there you have the two most important ingredients, the energy and the sincerity of purpose that ^{are} ~~is~~ required to make a go of this thing.

On the government side I think equal wisdom has been shown in the choice of a head for the Division of Oil and Gas. My successor is well known to you gentlemen. He has spent a lifetime in the oil business. He is a practical oil man. That should appeal to you especially.

Beyond that, he has had a governmental experience that peculiarly qualifies him for the place, a governmental experience in years past and a governmental experience during the war. I have known him both in the office and outside of the office, and I know that you have in him a man of high principle, keen intelligence, and again, that sincerity that is so important in this whole undertaking. You have a

geologist, an author, a lawyer, and an experienced government man all wrapped up in one. Now, that is an uncommon combination of qualifications, and I think that the Government and the industry, the public in general, is most fortunate in that Mr. Ball has been willing to make the sacrifice that I know he is making in taking this position.

As the meeting progresses, Mr. Chairman, I may have an observation or two to make. I shall wait until later, however, for that, and meantime take pleasure and great pride in presenting my successor as Director of the Oil and Gas Division, Mr. Max Ball.

(Applause.)

MR. BALL: Gentlemen of the Council, I think it is unnecessary to tell you some things that I am going to tell you to start with at that.

One is how very deeply I appreciate your welcome; second, that I feel very deeply honored by being selected as Director of the Oil and Gas Division. Along with that sense of honor and gratification goes a very deep realization of what it means in the way of responsibility.

I feel that I have been chosen for what can be the leadership in a big and useful job for the Government, for the public, and for the oil industry. If the job doesn't become big and useful, it will be largely because I lack the leadership to make it so, and so I approach this new job with

a great deal of diffidence.

Now, I am not going to make a set speech. I am going to make some informal remarks -- I hope they don't last too long. The things that I think about things that come before this Council will be developed much more effectively by debate as we go along, because I expect to participate in your discussions, than by what I stand up and say to you here in advance, and that is not only true of today, but of the days we work together hereafter.

But it seems to me that I ought to give you something of my concept of the field of usefulness for the Oil and Gas Division and for the Council, and for the two working together.

Now, this may be something of a disappointment to some of you, but my concept of the Oil and Gas Division is not that of a single, all embracing government agency exercising supervision and authority over all matters before the United States Government relating to oil and gas. I don't think that that is sound organizationally; I don't think it is practical; I don't think it could be brought about, and finally, I doubt whether it would be wise if it could.

After all, looking at it from the organizational standpoint, our Government is organized functionally. We have departments created to perform certain functions. We have a department for foreign affairs; we have a department for war; we have a department for the navy; we have a department for

labor, and so on. Those are functional; they run vertically. Each of those has its own functional field.

Now, to attempt to cut across that by an organization exercising supervision over all activities with relation to a single commodity, would set up organizational strains and stresses that to my way of thinking would be wholly impractical.

If a single government agency, for example, were to exercise all of the Government's activities with relation to oil and gas, it would have to have a foreign department, and we would have two State Departments instead of one. It would almost have to have a war department, and we would have a War Department for Petroleum and a War Department for everything else, and so on. Just to state it shows how impracticable it would be.

Moreover, within the Interior Department, the same thing holds. We have a Geological Survey, devoted to the geological survey of the United States; we have a Bureau of Mines with certain specific functions; we have a Bureau of Land Management; we have an Office of Indian Affairs, and so on.

Now, I can think of no more effective way of reducing the efficiency of the geological work that the Geological Survey does with reference to oil and gas -- I am thinking of mapping, and let me just in an aside say here that this quick map program, these stratographic studies that the

Geological Survey has made, is making, and is turning out while the stuff is hot so that it becomes available to the oil companies, is a service to the oil industry that the oil industry hasn't yet begun to appreciate the value of.

Now, to take that work out of the Geological Survey, out of its geological context, and transfer it to and Oil and Gas Division, in my opinion would greatly decrease its efficiency and its effectiveness.

The same thing is true with regard to the research work that the Bureau of Mines does in the field of production engineering. It is valuable; it has grown where it is into its value, because it is there in context and in connection with other engineering work of the same type. To divorce it from that work, divorce from that work the segment that relates to oil and gas and bring it over into a new organization, would, in my opinion, be organizationally unsound.

You can go to more extreme things. I mean, I imagine, for instance, that the Oil and Gas Division -- if it should try to take over the functions of the Treasury with regard to taxation, it doesn't need much argument or much analysis to indicate that a single centralized government agency, exercising all the functions of government with relation to oil and gas, is simply not in the cards from an organizational standpoint.

Now, if it were organizationally sound, I should have

grave doubts about its wisdom, and this is why. If you could, organizationally, create an Oil and Gas Division which exercised all the functions of government with relation to oil and gas, so that a single agency of government was directing all of the government's oil and gas activities, inevitably in the very nature of things, the head of that agency would be tempted, before long, to step over that boundary between directing the government's activity with reference to oil and gas, into the field of directing the oil and gas business. I think the temptation would be inevitable if you had such a single, centralized oil and gas agency.

Now, that doesn't mean that I don't think some centralization is not advisable, that I don't think some centralization will not be brought about, that I don't think that some changes should be made. I do think this, that most of the types of oil and gas work that are being done in the government are being done for sound reasons where they are, and that in general the burden of proof is on the man who says they should be picked up from where they are and moved to somewhere else.

That doesn't mean, by any means, that I don't think that burden of proof can't be sustained in some cases, but what cases I have no idea at this time, because that is a field in which I think we should be sure of our facts and sure of our relationships before we take any steps, and we are still in

the process -- and it is proving to be a long and not easy process -- of getting a complete analysis of what the many government agencies do with respect to oil and gas, how they do it, and why they do it. Until that study is complete, my mind is completely open, completely blank, I should say, as to what should be moved from here to there, if anything.

I merely say that if that study should develop that certain functions should be moved, either to the Oil and Gas Division or to some other place than where they are now, we shall have no hesitation about saying so. But I do want to add this, that when we say so, the people to whom we first say it will be the people who are now conducting the work, and not even to the Secretary of the Interior first.

Now, if this is not to be an all-embracing centralized government agency, where does its usefulness lie? To my mind it has a much greater field of usefulness than that, less tangible, less easy to define, but nevertheless more important.

My prime conception of the Oil and Gas Division is of a staff agency, not an operating agency. Now, again let me hasten to say that I don't mean we should not have some operating functions. We already have one, and there may be others which this study indicates should be transferred to the Oil and Gas Division, but I look on the operational functions as the less significant and less important functions

of the Oil and Gas Division.

I think its great field of usefulness lies in its being an effective staff organization, advisory to all of the government agencies concerned with oil and gas, promoting the types of work that are being done by other agencies, that are helpful to the industry and to the public, and possibly, in its broader knowledge of oil and gas matters, eliminating some duplications; possibly, if it has superior knowledge, which we hope it can acquire through this Council, eliminating some types of work that may not be as fruitful as they once were.

Those are within the field of our usefulness, but as I see the field of our usefulness, it is to know more about the economic aspects of the oil and gas business than anybody else in the Government, and therefore to be qualified to advise the people in the Government who are conducting useful oil and gas work, or who are concerned with oil and gas problems, in their problems, a staff function, primarily, rather than an operating function.

Now, if that staff function is properly exercised, it is a far more influential function and will have a much greater effect on government activity with respect to oil and gas than if we should reach out and try to gather unto ourselves all the work that everybody in the Government is doing in an operating way.

In other words, a staff agency can be very much more influential, can be very much more useful than an operating agency, and it is in that field and in that function that I envision the greatest usefulness for the Oil and Gas Division.

Now, what does a staff agency have to have? Let me say this, a staff function is a much more difficult function than an operating function. A staff agency, to be effective at all, has got to be good.

Now, you can exercise an operating function just as long as you have got money to do it with, whether you are good or bad. Sooner or later, if you are too bad, why you will fail in either money or authority, but you can, for a considerable length of time, exercise an operating function without being good. You can't exercise a staff function at all without being good, because nobody has to consult you; nobody has to follow your advice.

Now, notice that I am laying the importance on something that is not too tangible, not too easily defined, and for want of two better words, I would say I am laying the emphasis on influence rather than authority.

A reporter asked me the other day, "What authority do you have with respect to oil and gas activities in departments outside of Interior?" and I said, "Well, frankly I hadn't given that any thought at all."

I don't know how much authority the President's letter

gives us, and I am not terrifically interested, because I think our field of usefulness lies in influence and not in the exercise of authority.

Now, to exercise influence, to be an influential staff agency, as I have said before, we have got to be good.

What does that mean? What are the requisites of a staff organization? Just two as I see it, knowledge and wisdom. You can make your own assay of our wisdom, but how wise we are will depend on how well informed we are. It is true that given all the facts there still remain realms of judgment in which men will differ, but those realms in which men's minds differ narrow down as men get all the facts, and I am not too worried and I hope you are not too worried about the wisdom that we will exercise if we get enough information on which to exercise such wisdom as we have.

Therefore, you will find that the emphasis in the requests we make on this Council, the tangible requests we make on this Council, are on information, information, more information.

Not all that information we are asking for is for ourselves. Some of it is for other agencies, but the main thing is to get the information. If we are well informed, the Oil and Gas Division will exercise a wide and useful function. If we are poorly informed, it will soon become a useless appendage to an already large and cumbersome Government.

That cry for information, as I say, comes not alone from

ourselves. Some of it comes from others. I would like to read you a letter that we just got very recently from Admiral Horne, the Chairman of the Army-Navy Petroleum Board, a letter which I am sorry to say didn't get into your hands earlier and should have been in the hands of the Agenda Committee -- not that it would have made any difference in our discussions, but I mean in fairness to them it should have been in their hands. It was just that things came at us too fast and it didn't get there.

"The military services have been informed regarding the plans that the Oil and Gas Division has under way for supplementing presently available basic information on petroleum, petroleum products, and petroleum facilities. As a matter of national security, the Army-Navy Petroleum Board regards the obtaining, on a current basis, of the additional information that you are arranging to provide through the facilities of the National Petroleum Council as highly urgent and strongly endorses the program.

"We should like to stress particularly the necessity for having available not only current and authoritative data on a worldwide basis with respect to crude petroleum reserves and availability, but also with respect to the facilities for making such crude petroleum available in the proper forms and at the proper places to meet normal and emergency needs as they arise. Adequate military plans for the defense of the

Nation cannot be made without a knowledge of these facts.

"It is vitally important that more complete data be assembled and compiled with respect to petroleum operations in foreign countries. Due to the limitations imposed upon our governmental representation abroad, we feel that it would be highly desirable that arrangements be made for the petroleum industry to assist in obtaining the data needed to present a complete picture as to production, refinery operations, and shipments of petroleum and petroleum products, on a worldwide basis."

I may add that there is not a thing asked for in that letter that the industry itself shouldn't have for its own guidance, and that is the significant thing, because I think that is true of practically everything for which there is need of information from a military standpoint or from a governmental standpoint, that there is an important need the industry have it for the conduct of its operations.

Now, under those circumstances, and as a staff organization advisory to the other organizations of government that conduct oil and gas activity or have to deal with oil and gas problems, I can see a great field of usefulness for the Oil and Gas Division.

However great that field of usefulness may be, the field of usefulness of this Council is co-extensive with it. This Council must be, to a very large extent, the brains of the Oil

and Gas Division. It is impossible that any government agency, even if it were far larger, far richer, than I think the Oil and Gas Division will ever be, should have anything like a fraction of the judgment, the wisdom, and the knowledge that is represented in the Council.

That is why a Council; that is why a Council to counsel with us, to be the brains that we can't possibly be big enough to have, to be the supplier of wisdom, because when I have been talking about information, I have been thinking not alone in terms of factual information, but I have been thinking also of the intangible type of information that men have in their heads, that constitute judgment, that constitute ability, that you don't put down on paper and add up in a column of figures.

Now, I have high hope that the influence of this Council will be great. I have high hope that this Council will be as useful within its sphere to the Government, to the public, and to the industry, as its predecessor, the PIWC, under different conditions, subject to different strains and stresses, subject to different rules of procedure necessitated by a different time, but nevertheless imbued with the same spirit and approaching its opportunities and responsibilities in the same way, because it has the knowledge, it has the ability, it has the judgment to feed to us.

I haven't now, nor will I ever have, any hesitation in

saying to any government official or to any committee of Congress, or to any public body, that this Council is highly influential with the Oil and Gas Division, and my reason for saying that is that I am completely confident that this Council, in giving us its judgment about questions, will be guided by statesmanship and far-sightedness and not by short-sighted, immediate personal interest, and also my feeling that the time will seldom come when the interests of so large a segment of the American public and people as the oil and gas industry represents will be different or at cross-purposes with those of the rest of the public body.

Now, I should like this to be an active Council, a positive Council. We have submitted to you quite a large number of requests for action of one type or another, and they have gotten very, very friendly consideration. I don't mean that your agenda committee has gone the whole distance with us. If it hasn't, then we are going to argue about some of those things sometime, but our requests have been received in the friendliest fashion. But the point I would like to suggest is this, that not all the suggestions as to things that should be done should come from the Oil and Gas Division. Those of you in the industry must know of things that should be done in the public interest and in the interest of the industry that can be better done if they are done through a governmental agency or guided by a governmental agency, or perhaps

can only be done that way.

Now, I would like to invite from you as a Council, as committees of the Council, as members of the Council, any suggestion you ever had as to something that should be done, something that should be undertaken, or something that should be undone, and those suggestions will always receive consideration. And there is no impropriety in that, and no danger with respect to the Department of Justice, so long as they are made to the Oil and Gas Division and we approve them for the consideration of the Council. I mean, that is within your rules of procedure as they are set up.

The Council is operating under certain circumscriptions, limitations, on how it can act and what it can do. Those are limitations partly created by the Attorney General, partly created by your own rules of organization, to keep within the safety zone set out in those letters of the Attorney General.

I have referred to the consideration your Agenda Committee has given to the requests that we have made. I had the very great privilege, yesterday, of spending quite a number of hours with your Agenda Committee, a privilege for which I feel very grateful. Although at times we differed as to what could or could not be done, and at times differed as to the wisdom of whether something should or should not be done, I never have been in a meeting where the spirit was more cooperative, more friendly, where the feeling that I got

was of a desire to go as far as it was safe to go.

Now, I don't agree with all the conclusions of your Agenda Committee as to where the safety line lies. I think, perhaps -- no, I won't say perhaps -- I think that the Committee is being unduly cautious. I can appreciate the fact that you are the guys that will get it if something goes wrong, and I won't. I mean, you are the ones who have got to think about the safety angle of it, but you are not the only ones at that. Nothing could more quickly ruin, and more certainly ruin this relationship between a National Petroleum Council and the Oil and Gas Division; nothing could more certainly ruin the usefulness of the Council, and to a large extent the usefulness of the Oil and Gas Division, than to have some action taken which would be attacked as lying outside the permissive scope outlined by the Attorney General's letters.

So I too, have an interest in your safety, and I am inclined to think that your Agenda Committee on some points is perhaps a little bit more cautious than it is necessary to be. However, we ended up our meeting last night with agreement, not agreement as to whether some things could be done or couldn't be done, but in agreement in this way, that the things the Agenda Committee felt it was safe to do comprehend the things that need to be done now.

There are minor exceptions, too, on that, but within what the Agenda Committee says can be done, we can go ahead

with the things we consider need to be done now. Now, when the time comes, as it may come, that we think the Council should go farther than that, then we will come to you, to your Agenda Committee or to you, and we will sit down and argue with you and we will press for our point, and maybe we will convince you, or maybe, instead of doing that, we can get some special clearance that will remove the doubts and fears of the Council and of its Agenda Committee.

In other words, the time to argue about those things and see where we get is when we get to the point where the need is, rather than anticipating the need and arguing about a need which may arise.

Now, we are operating under very severe staff and budgetary limitations. I have said that to be successful as an advisory agency, as a staff agency, we have got to be good. That means we have got to have an adequate staff, and I am thinking not so much in terms of numbers as in terms of quality.

We have tried to do just that, and I am going to introduce now, in a moment, the members of our staff who are here. We have tried to do just that. We have tried to assemble a small staff of highly competent men, men in whom you can have confidence, and men in whom the other agencies of the government can have confidence, as to their knowledge, their judgment, and their wisdom.

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Now, we haven't yet a complete staff. We need more. We are operating within the limits, as I say, of a very narrow budget; \$463,900 is all that is provided for us for next year; and out of that just about half goes for administration of the Connally Hot Oil Act, which only leaves us 220, 225 thousand dollars for doing the sort of thing that will make us an effective staff agency of the greatest usefulness to the Government and to you.

Probably eventually we are going to have to go back and ask for supplemental appropriations, but you know, with the temper of the times, how difficult that is going to be.

We can't do you any service at all with a cent less than is already asked for in our budget. We do need a few more men -- not a lot of them -- but a few more men of the high quality of the men we already have.

The time may come when I may have to come back to you, reminiscent of war days, and say, "Gentlemen, can't you lend us a hand; can't you lend us a few men; can't you lend us a man to get something started, at least, and develop a successor?"

This is pretty much among ourselves, gentlemen: That is the situation I am in, myself. I am not in position to look on this as a work for the rest of my life, or as a permanent career. I can't do it. I have agreed to take this job on; try to see it through the further organizational and

developmental stages; and then try to find a successor who is like-minded with myself, and twice as good. How long that will take, I am not predicting.

I notice that George Allen made a crack which was quoted in the Reader's Digest, that the most permanent thing in the world is a temporary job in Washington.

I am not worried about when the termination may come. It will come through demands that I am under obligation to meet when they come; and when that time comes, we will worry about it; but meanwhile, we will do the very best job we can. I will do the very best job I can, as though I were going to be here the rest of my life.

Before I introduce to you the staff, I would like to read you something. I know I talked a lot longer than I expected and than you hoped.

Talking about the importance of the Council, I would like to read you just a brief extract from the report of the Lea Committee of the House, which has just very recently come out. It came out on December 30, 1946.

This, as you remember, is the Petroleum Subcommittee of the Committee on Interstate and Foreign Commerce of the House.

"The committee regards the creation of the NPC as a significant development, a natural outgrowth of the cooperative accomplishment experienced during the war. Prior to

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the war, relationships between the petroleum industry and the Federal Government were anything but close and harmonious. Machinery did not exist for enabling the industry to contribute effectively out of its practical experience and to give government the benefits of information and recommendations upon problems of common and public concern. This alliance, if a genuinely cooperative relationship is maintained, will benefit both the Government and industry in terms of a better understanding of petroleum problems, and an improved governmental administration of oil and gas activities."

Now, just for your interest, maybe I will read another brief paragraph relating to the past, since what I have just read to you relates to the present and the future.

This is from the Committee's conclusion, under a heading, "Commendation."

"In conclusion, the committee highly commends the services of those in the Government and in the industry who made possible the gigantic and effective contribution which the petroleum industry gave to the success of the war. The scope and completeness of this effort justly elicited not only the commendation of our country, but of the whole civilized world, whose future comfort and security, if not existence itself, were in the balance in the critical days of the war."

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Copies of this, by the way, are going to be mailed to all of you just as soon as we get our hands on the right number.

I would like just very briefly to introduce the members of our staff who are here, so that you may look at them. Most of them, you know. Some of them, all of you know. I want you to know them, because I want you to work with them.

Mr. Chandler Ide. Mr. Ide.

(Applause)

MR. BALL: Mr. Ide's status now is one thing on the books and another in practice. I am pressing Mr. Ide as hard as I feel is decent to stay with the Oil and Gas Division as Associate Director.

Certain personal matters make it impossible for him to give me an answer as yet, but he is staying on for a time. I said to somebody the other day, "A director doesn't have to be good if he has Chandler Ide at his elbow." He is acting in the capacity of Associate Director, but stands on the rolls as special consultant.

Mr. Edward B. Swanson, who is known to all of you.

(Applause)

MR. BALL: Assistant Director, and head of our Supply and Economics Branch.

Mr. Robert E. Friedman, who is almost equally well known to you.

5 (Applause)

MR. BALL: Assistant Director and general counsel.

Mr. Alec M. Crowell, known to all of you from the Southwest, at least.

(Applause)

MR. BALL: Director of Production.

Mr. Leo Connell, who is our materials man. He is in charge of materials.

(Applause)

MR. BALL: Mr. Patrick McKenna.

(Applause)

MR. BALL: Whom, I think, most of you know. Mr. McKenna is at the moment in immediate charge of the study that is being made of governmental activities relating to oil and gas.


Mr. E. J. Skidmore, a stalwart without whom we couldn't do business.

(Applause)

MR. BALL: He is the business end of our organization.

Dr. Frey, Dr. John W. Frey. I thought Dr. Frey was here. At any rate, to our great regret, we are losing Dr. Frey, to go, perhaps, to a more important service with the American Petroleum Institute; and we are wishing him every success there.

There is one other man that I would have liked to



introduce to you this morning, Mr. Carroll D. Fentress, who is looking after refining matters for us; but he is whom in bed with the flu.

Now, for listening to me for thirty-seven minutes, gentlemen, I thank you very much.

(Applause)

MR. HALLANAN: Director Ball, I think I should say this to you, at the conclusion of your remarks: That the same common-sense, friendly, cooperative and constructive approach that you have given in our preliminary discussions, and which you manifested yesterday in the meetings with the Agenda Committee of the Council, you have expressed in even greater detail for this Council this morning.

I think every man here is thoroughly grateful to you for the undertaking that you are about to assume. The Oil and Gas Division will be in safe hands with you at the helm; and I am certain that we will have no complaint from you as to the degree of cooperation that you will have from this Council over the long stretch ahead.

Gentlemen, there were mailed to you copies of the report of the Agenda Committee covering the subjects which had been addressed to us in the letter of Mr. Ralph K. Davies, of September 26.

That report should have reached you for consideration before you came to this Council meeting.

7 Since the report to which I refer, other matters embraced in the letter of the Director of the Oil and Gas Division, under date of January 13, and also another letter under date of January 14, have been the subject of consideration by the Agenda Committee on yesterday.

 That committee had a session that continued until the late hours of last evening, and we had the benefit of consultation and counsel from Mr. Ball and Mr. Ide.

 The report of that committee is now the next order of business, and I now call upon the chairman of the committee, Mr. George Hill, to present the report of the Agenda Committee.

 MR. HILL: Mr. Chairman, Mr. Davies, Mr. Ball: I think that I -- in fact, I know that I speak the sentiments of every member of the Agenda Committee in reciprocating most heartily the statements that have been made to you by Mr. Ball.

 I have never, in my experience with Government, found greater candor, a finer exhibition of mutual confidence and respect, of friendly indulgence in opposing viewpoints, a more quick and ready appreciation of problems and limitations imposed upon the Agenda Committee and the Council, of the legal limitations imposed upon all of us by the Department of Justice, than that exhibited by Max Ball and Chan Ide in the many hours that we spent yesterday together.

8 I think it is due to you to make this explanation.

We started out in the morning with a very frank discussion of the matters submitted, the real objectives in the minds of the Oil and Gas Division, not always expressed in written language in accordance with the real and ultimate objective; the discussion of alternative methods of accomplishing some of those objectives; and we adjourned that morning meeting at a quarter to two.

We later reassembled and took the draft, the tentative draft of the report of the committee, resulting from those discussions; went over the whole tentative draft; and then line-by-line and word-by-word, we examined into not only the conclusions that the committee felt should represent their advice and recommendations to the Council, but even the language in which it should be expressed, in order that there might not creep into that report any sentence that one, unfamiliar with this experience, might draw the wrongful deduction, that there was not a full, free, friendly attitude of cooperation and mutual endeavor to achieve, either through the functions of the Council, or through other industry assistance, what were deemed to be the legitimate objectives in the service of the nation, as well as the industry.

So I am sure that I speak for all members of the Agenda Committee, in saying to the members of the Council, that Max Ball is approaching this job not only with high

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competence in the many fields in which he has distinguished himself, as Ralph Daview so ably depicted, but with the great feeling of humility upon his part, great candor, earnestness, and a desire to work cooperatively with this Council.

I think I may say also that the members of the Agenda Committee felt perfectly free to discuss every viewpoint before them and endeavor to resolve the problems submitted in the way that could be legally, wisely and practically dealt with.

Now, the report of the Agenda Committee covers really the results of three separate meetings. You will recall that at the meeting of the Council, the last meeting of the Council, which was really the first meeting of the Council after its organization, six problems had been submitted to the Council.

The Agenda Committee recommended action at that time favorable to three of the proposals submitted. The Appointment Committee immediately took action in making a recommendation of committees, and they proceeded to get to work.

Three of the proposals were reserved for study. Those three remaining proposals reserved for study were acted upon at a later meeting held in Washington in December, and action upon one of those three remaining proposals was

favorably recommended, and two unfavorably recommended, concerning which supplementary recommendations were submitted, or observations and arguments submitted by the Oil and Gas Division.

Then in the letter of January 14, five new subjects were presented.

The first report which you have, dated January 13, 1947, constitutes a summary of the actions taken in two meetings on the first six proposals. They are really self-explanatory, because there is, as we stated in the report, the proposal made, followed by, in each instance, the recommendation of the Agenda Committee.

Therefore, I will first read the report dated January 13, 1947.

"The Agenda Committee presents the following actions and recommendations with regard to the six problems which were submitted to the Council, for its advice and recommendations, in a letter addressed to Mr. Hallanan, Temporary Chairman of the Council, dated September 26, 1946, and signed by Mr. Ralph K. Davies, then Acting Director of the Oil and Gas Division of the Department of the Interior.

"Each of these problems is herein restated with the action and recommendations immediately following.

"Problem 1: 'There is need for the assembly, compilation, and analysis of petroleum statistics on a world-wide

11 basis in a manner comparable to the information assembled by the Petroleum Administration for War. The petroleum industry, by a resolution of the Petroleum Industry War Council, itself stressed the essentiality of this work and urged its continuation under appropriate Government sponsorship. The Council is requested to establish a committee for the purpose of obtaining, compiling, analyzing and submitting to the Oil and Gas Division petroleum statistics on a world-wide basis.'

"Action: The Agenda Committee recommends the assembly and compilation by an appropriate Government agency, such as the Bureau of Mines of the Department of the Interior or the Bureau of Foreign and Domestic Commerce of the Department of Commerce, of petroleum statistics in the foreign field of the character now being compiled by the Bureau of Mines in the domestic field. Appropriate and adequate domestic petroleum statistics are being collected, compiled and published by the Bureau of Mines, the Interstate Oil Compact Commission, the American Petroleum Institute, the Independent Petroleum Association of America and other industry organizations.

"The Committee, therefore, recommends that no committee be set up by the National Petroleum Council for the assembly, compilation and analysis of petroleum statistics.

"This action was taken at the meeting of the Committee

12 on December 10, 1946.

"Problem 2: 'There is a shortage of pressure tank cars for the transportation of liquified petroleum gases which threatens seriously to interfere with the meeting of essential industrial and civilian requirements. Other industries are competitors of the petroleum industry for these cars and the question of relative priorities must be determined. The Civilian Production Administration has requested the Oil and Gas Division to participate in such decisions on this and related matters as the Government may reach. In order that the Division may adequately be informed, the Council is requested to establish a committee for study of this matter and to submit such report and recommendations with respect thereto as may be deemed appropriate.'

"Action: This Committee approved the appointment of a special committee of the Council to study and submit a report and recommendations to the Council with respect to pressure tank cars as requested by the Oil and Gas Division. Minutes of September 26, 1946 meeting reflecting this action have previously been furnished you.

"Problem 3: 'There is an acute shortage of materials of various kinds needed by the oil and gas industry, particularly materials containing steel, lead and other metals, which is affecting various activities of the industry that are vital to the national welfare. The Oil and Gas Division

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is looked to by the Government agencies controlling the allocation of these materials to present the requirements therefor of the petroleum industry. In order that the Division may be adequately informed, the Council is requested to establish a committee for study of this matter and to submit such report and recommendations with respect thereto as may be deemed appropriate.'

"Action: This Committee approved the appointment of a special committee of the Council to study and submit a report and recommendations to the Council with respect to the materials situation in the petroleum industry. Minutes of September 26, 1946 meeting reflecting this action have previously been furnished you.

"Problem 4: 'The Department of the Interior has drafted proposed revisions of the regulations implementing the Federal Mineral Leasing Act, as recently amended. The Council is requested to establish a committee to consider the proposed regulations and to submit such report and recommendations with respect thereto as may be deemed appropriate.'

"Action: This Committee approved the appointment of a special committee of the Council to study and submit a report and recommendations to the Council with respect to the proposed revisions of the regulations implementing the Federal Mineral Leasing Act, as recently amended. Minutes of September 26, 1946 meeting reflecting this action have

previously been furnished you.

"Problem 5: 'At the request of the Air Technical Command, the Bureau of Mines is engaged upon a program of investigative and statistical work relating to the future availability of fuels for military aircraft. The question of refinery capacity for the production of such fuels in varying proportions and quantities presents complicated technical problems. In order to obtain an authoritative technical evaluation of refinery capacity the Bureau of Mines has requested the Oil and Gas Division to obtain the establishment by the National Petroleum Council of a committee to obtain and compile the necessary data. In order that the Oil and Gas Division and the Bureau of Mines may be adequately informed, the Council is requested to establish a committee for study of this matter and to submit such report and recommendations as may be deemed appropriate.'

"Action: The Committee recommends the appointment of a temporary committee of the National Petroleum Council to report to it the technical evaluation of present domestic refining capacity for the production of fuels for military aircraft. This action was taken at the December 10, 1946 meeting of the Committee.

"Problem 6: 'Various questions of great national importance relating to the adequacy of domestic reserves, of the importation of crude oil and its products, of access

15 to foreign reserves, and of actions by the Government relating thereto which should be taken to insure the adequacy of oil supplies for the United States are continually arising. The Secretary of the Interior acting through the Oil and Gas Division has been charged by the President with coordinating and unifying Federal petroleum policy. It is the view of the Secretary and myself that these are matters on which the advice and counsel of the petroleum industry are vital if Governmental action is to be intelligent and effective and based on a full understanding of all of the facts. It seems clearly advisable that there be a committee of the Council to study such problems in the manner that the National Oil Policy Committee did during the existence of PAW. The Council is requested to establish a committee for study of these matters and to submit such reports and recommendations with respect thereto as may be deemed appropriate.'

"Action: A National Oil and Gas Policy report covering Foreign Oil Policy, Domestic Oil Policy and Natural Gas Policy has been recently adopted by the Petroleum Industry War Council and generally approved by the Oil and Gas Industry, and is still a current document which presents a comprehensive expression of the industry's views on policy.

"This Committee, therefore, recommends that the creation of a National Petroleum Council Committee for the purpose of

restating such policy at this time would serve no constructive purpose. This action was taken at the December 10, 1946 meeting of the Committee.

"Owing to the emergency action necessary on some of these questions, members of the Committee not present were communicated with and their action taken either through telephone or written communication between the Chairman and the respective members of the Committee.

"Respectfully submitted."

Now the report of January 20, 1947.

"TO THE NATIONAL PETROLEUM COUNCIL:

"At a meeting held December 10, 1946, the Agenda Committee made certain recommendations to the National Petroleum Council in response to Problems 1, 5 and 6 suggested in the letter September 26, 1946, from the Acting Director of the Oil and Gas Division, Mr. Ralph K. Davies, to the Temporary Chairman of the Council, Mr. Walter S. Hallanan. These recommendations are set forth in a report to the Council dated January 13, 1947. In a letter to Mr. Hallanan, dated January 13, 1947, Mr. Max W. Ball, Director of the Oil and Gas Division, supplemented the statement of Problems 1, 5 and 6 contained in the original letter of September 26, 1946. In addition, he submitted a request for action on five other problems in a letter to Mr. Hallanan, dated January 14, 1947.

"A meeting of the Agenda Committee was held today at which Mr. Max W. Ball, Director of the Oil and Gas Division, and Mr. H. Chandler Ide, Special Consultant to the Director, were present. The several problems presented in the two letters of January 13 and January 14 were discussed in considerable detail. The appropriate procedure for the Council to pursue was likewise discussed. The Agenda Committee pointed out the limitations upon the Council's authority under the exchange of letters between the Secretary of the Interior and the Department of Justice in regard to the functioning of the Council, and called attention to the basic organization procedures established by the Council. Under these limitations and the basic organization procedures, the Council is not free to appoint committees to which problems may from time to time be submitted without their prior submission to the Council itself. The committees so appointed would become agencies of the Oil and Gas Division and would be enabled to by-pass the Council. The Council cannot avoid limitations on its authority by such delegation to committees for whose action it would be responsible. Nor can the Council avoid limitations on the subject matter with which it may deal by delegating to a committee the right to inquire into and advise the Oil and Gas Division or others than the Council upon many and varied questions that may arise under general appointment.

"Whenever broad general problems are involved, they are susceptible to definition and submission to the Council as separate specific problems for consideration and recommendation by the Council in accordance with the limitations imposed by the Department of Justice and the basic organization procedures established by the Council. When such specific problems are submitted to the Council, it can then set up appropriate committees to study and report to the Council for action. All committees of the Council must report to it and not to the Oil and Gas Division or others.

"In the light of the discussions between the Agenda Committee and representatives of the Oil and Gas Division, the Agenda Committee presents the following statements and recommendations with regard to problems 1, 5 and 6, referred to in supplementary letter dated January 13, 1947, and the five problems submitted in the letter of January 14. Each problem submitted is dealt with separately.

"Problems Submitted in the Director's

Letter of January 13, 1947

"Problem 1:

"The Agenda Committee recommends the appointment of a temporary committee of the National Petroleum Council to study with the Oil and Gas Division the improvement and simplification and the methods of assembling and disseminating statistics along the line suggested and upon completion of

its study, to report its findings and recommendations to the Council for its consideration and such recommendations and action as it might deem appropriate. Any further action in respect to Problem 1 should be deferred until the report of the Committee so appointed is received and acted upon."

Now, you will bear in mind in this connection that while Problem 1 was originally recommended against, this recommendation goes favorably for the study of the improvement of these reports, and other matters submitted in connection therewith will await the report of that committee on how that can be accomplished.

"Problem 5:

"The supplementary statements and request do not call for further action by the Agenda Committee in view of its prior favorable recommendations contained in its report of January 13, 1947.

"Problem 6:

"The Agenda Committee recommends that instead of the appointment of a general and continuing committee to which special problems may, from time to time, be referred, appropriate special committees to consider such problems as they arise be appointed in the discretion of the Council on written request submitted to it."

I think I should explain here, parenthetically, for the benefit of new members of the Council, that the

Attorney General's letter requires communications to come in writing on specific subjects, either from the Secretary of the Interior, or the Oil and Gas Division, to the Council, rather than a generalization of the great variety of subjects.

So this is a reconsideration of this Problem 6, originally turned down, with the alternative suggestion that such matters as are in the minds of the Oil and Gas Division, or the Secretary of the Interior be specifically and separately submitted, and in such manner considered by the Agenda Committee and the Council, which is in accordance with the legal and procedural determinations of the Council.

Now:

"Problems Submitted in the Letter
of January 14, 1947

"Problem 1:

"In response to problem 1 submitted with the original letter from the acting Director, dated September 26, 1946, and the supplemental letter from the Director dated January 13, 1947, the Agenda Committee recommended the appointment of a temporary committee to report to the Council upon the matter of the improvement and simplification of and the methods of assembling and disseminating statistics. It also recommended that consideration of the appointment of committees to deal further with statistical matters may well await the report of such committee. Accordingly, no further action on this

problem is required at this time. However, the Agenda Committee is of the opinion that a committee of the National Petroleum Council should not be the medium for securing estimates of reserves and availability.

"Problem 2:

"The conservation of natural gas is a matter for appropriate industry action subject to the proper exercise of the police power of the states to prevent waste and to protect correlative rights of owners in an oil and gas field. The Oil and Gas Industry and conservation agencies of the several states have made significant and outstanding progress in the conservation of natural gas. Since conservation regulations are proper functions of the states, the Agenda Committee feels that the industry should deal directly with the states in such matters and that for the National Petroleum Council, as an adviser to the Federal Government, to make reports to the Oil and Gas Division on such matters, which are within the exclusive jurisdiction of the states, would be going beyond its proper scope. The Agenda Committee suggests that the Oil and Gas Division can best be of assistance to the states in this matter by cooperation with the Interstate Oil Compact Commission.

"Problem 3:

"The Agenda Committee is unable to recommend the appointment of the committee suggested because of the

limitations imposed in the Department of Justice letters and the basic organization procedures established by the Council as more fully set forth above. It is believed that the secret information desired can best be secured by the appointment, by the Oil and Gas Division, of specialists or other qualified persons or units in the industry, to give to it direct the information and advice sought. This can be done effectively with full industry cooperation and without violating the limitations and procedures under which the Council is established and operates."

That relates to a suggestion that the council appoint a committee to act in secret on secret submissions and secret results for the advice of the Army and Navy Joint Petroleum Board.

It couldn't tell the Council what it considered or what it found. It couldn't have a written submission, as the Attorney General's letter requires; and it couldn't have minutes distributed to us, as the Attorney General's letter requires; nor consideration by us. But we have pointed out that the same job can be done by getting people from the industry, that we know the industry will be glad to supply, that can act directly with the Oil and Gas Division and Army-Navy Petroleum Board; directly, with proper secrecy, but without violating the Department of Justice limitation imposed upon this Council.

MR. MAJEWSKI: Mr. Hill, will you permit a question at this point? Would your Committee change its opinion in view of Admiral Horne's letter, that was written, that wasn't given to you, that Mr. Ball explained? Would you change your opinion in view of that letter?

MR. HILL: I can't speak for the Committee, but I think I am speaking for the Committee, and I would like to tell you why. That won't change the situation at all. In the first place, the Oil and Gas Division and Army-Navy Petroleum Board are going to get the same number of people from the petroleum industry to help them, the same devotion to duty, the same assistance that we would get if it was a committee of this Council.

You will notice that Admiral Horne's letter calls for planning and providing for the future, and competitive units in the industry agreeing upon what should be done; which not only violates what the Attorney General has said, that this Council can or cannot do; but likewise violates the anti-trust laws, if they got together as a committee and agreed upon plans, and so on, affecting competitive activities.

In other words, the fact that the Army and Navy want it doesn't alter existing laws. They can get it another way. The existing law binds the Attorney General, and he can't write us anything about what the law is except what is on

the statute books and the decisions of the courts. He says that this Council can only act upon a written recommendation to it, a written proposal to it by the Secretary of the Interior, or the Oil and Gas Division Chief.

When we get it, the only way we can act on it is when the committee, the whole or special committee -- and if a special committee, it must report back to the whole Council, with full minutes of its meetings to be filed with the Council and the Oil and Gas Division, outlining all of the evidence considered in connection with the Committee's study, and its conclusions.

So the whole idea of secrecy, acting through the Council is invalidated by those rigidities of the law. Now, the same service can be achieved, and we express, we think, with confidence, in behalf of the whole industry of the country, whether members of the Council or not, the willingness of the industry to serve the Oil and Gas Division, as individuals are requested to do so, and for the full aid of the Services, but without violation of the law or the requirements of this Council.

MR. MAJEWSKI: One more question, please.

MR. HALLANAN: Mr. Majewski, I would suggest that Mr. Hill be given an opportunity to finish.

MR. MAJEWSKI: I haven't had the benefit of this.

MR. HALLANAN: You will have full benefit of it.

MR. MAJEWSKI: If ruled out of order, I shall wait and take up the time later. It would be easier now. But I shall wait.

MR. HILL: I want to assure you it was given the most careful consideration.

MR. MAJEWSKI: I may forget one or two of these things. We function under a special section of the law.

MR. HALLANAN: They are all here.

MR. MAJEWSKI: I will wait. You are always accustomed to doing that.

MR. HILL: Barney, I never shut you off.

MR. MAJEWSKI: I know you didn't; neither did the Chairman. He just cautioned me to wait, so I will forget some of these things.

MR. WILSON: Write them down, Barney, so you won't forget them.

MR. MAJEWSKI: I am no writer.

MR. HILL: All right, resuming.

"Problem 4:

"The Agenda Committee recommends the appointment of temporary committees of the National Petroleum Council to make factual studies of the nation's petroleum transportation systems from the standpoint of their adequacy to meet national defense and other emergency needs, and upon the completion of their studies, to report their findings to

the Council for such consideration and recommendations the Council may deem appropriate. The various phases of transportation, such as rail, pipeline, truck, tanker and barge would be dealt with by separate committees. These committees should not suggest plans or programs for meeting the nation's security needs but should confine their work to findings of fact. This is required under the limitations imposed by the Department of Justice.

"Problem 5:

"The Agenda Committee recommends the appointment of a temporary committee of the National Petroleum Council to consider the adoption of international standards for the measurement of liquid fuels and fuels used for aviation and report its findings and recommendations to the Council.

"Respectfully submitted."

This has the unanimous approval of all members of the Committee who were in attendance at the meeting, eight out of eleven.

MR. HALLANAN: Now, Mr. Hill, do you desire to make any general remarks on the report, or would it be in order to answer any questions which the members desire to propound?

MR. HILL: I think it would be better to deal with the questions as they are raised.

MR. HALLANAN: Mr. Majewski.

MR. MAJEWSKI: Well, I now rise, not to ask questions, but to address myself to the report. It is quite a change from the report of January 13, I might add, to January 20. In the report of January 20, apparently Mr. Ball and Mr. Ide had some persuasive recognition.

MR. HILL: Thank you, Barney.

MR. MAJEWSKI: Because there was at least a leaning to a temporary committee.

Every member of this Council has the duty to assist its government in making plans for national defense. There are countries that no longer exist as free countries in the world because industry in those countries failed to cooperate with their government.

I speak of a country I know something about. My parents came from there, Poland, where they had an election the other day, and in spite of the fact that three great nations said that "You must conduct free and unfettered elections," they conducted them the way the Russians wanted them conducted.

Each man that cast his ballot in Poland, and each woman, as she marked her ballot, presented it to the military before she deposited it in a box. That one-tenth of the populus that voted against the Russian-dominated government will probably be exterminated; but thank God for the Slav blood --the underground shall arise, and

maybe after another 150 years, they will again be free.

In this country during the war, we didn't pay too much attention to law and restriction. We set out to keep this country free, and in the oil business, we did a remarkable job. Everybody pats himself on the back for doing it. We should have done the job, as good citizens, and we need no commendation for our effort.

But we did move in many directions that certainly strained the anti-trust statutes, as a curbstone interpreter as myself reads them.

We operated under Special Section 202, or whatever the number; but we bent, and we made them yield; and we did a lot of things that we could have gone to jail for. Necessity -- national defense and national security -- proper reasons for bending laws.

Now, there may be another war. This one may come on you with a great deal of rapidity. The reason I suggested that Jack Porter's report be received and placed on file is that he has a couple of good sentences in it that I want to refer to occasionally from now on, and I want to refer to the record and not to my memory.

We may be hit once or twice, and whole states may be demolished. Last night I read "Mr. Adam," and if "Mr. Adam" is right, not only the State of Mississippi could be obliterated overnight by the blowing up of an atomic

bomb plant, but the adjoining oil-producing states, large ones, like Texas, could even be conceivably; and Jack wouldn't have to worry about the impingement upon the rights of Texans by this activity of the Council.

MR. PORTER: Mr. Chairman, ask Mr. Majewski to repeat that. I didn't hear it.

MR. MAJEWSKI: The record is there, and if you will read it, you will find it there. "Impinging" was a good word, I will admit.

Seriously now, I want to say to you that you have made a fine report, but you have gone beyond the scope and intent that was intended when your Committee was formed. You have gone into policy making for this Council.

Now, I don't know that that is wrong; but with the influence of a committee of eleven, headed by a chairman like George Hill, with persuasive power, and finding on it men like Hines Baker, and others, we have, with the adoption of these reports, set up an executive committee.

Now, I don't have any objection to that procedure. When you adopt this report, you are dealing with policy and not for what you were created. You were created to deal -- this Agenda Committee, the adoption and the appointment of it -- and I read from the record:

"The adoption of these procedures assures that each problem will be carefully studied from the standpoint of

its legal aspects, as well as its propriety and advisability for Council consideration."

Now, you can't read into the last part of that sentence -- because I was a part of this drafting body -- that you are a policy-making committee. Propriety within the confines of law, and advisability within the confines of law.

You are to pass on this from a legal point of view and not from a policy-making one. Now, if you are to be a policy-making body, as this report indicates on 1 and 6, then I suggest to you that we change the name at once. Having a fine attendance here, we have a sufficient attendance here to make an amending change in our by-laws. That we name this an executive committee. That will save the time of the members of this Council coming long distances. Those of you who want to be bound by that sort of a procedure can accept. I shall not.

I don't represent myself or my company on this Council. I have the honor and privilege of representing an industry that far transcends any member of this Council. This is a great industry. It made every one of us. It made me and I am grateful for it.

Now, I say to you, if by taking the action of eleven men and creating an executive committee, you arrive at what you want, then you ought to be firm in your belief and

appoint an executive committee, with a suggestion I might make, that unless this is strictly a producing Council, Council dealing with matters of production, that you expand the executive committee to give proper and due representation to the other functions of the members.

Maybe George's temporary committees will forth -- and I don't mean George's alone, but the Committee's; it was a unanimous action -- the desired results. I don't know.

I want to deal now with the question of 6. The people of the Middle West are interested in what is the world's supply of petroleum and petroleum products. I can foresee in the next five years there won't be enough heating oil, enough Diesel oil in the Middle West to do the job.

Automatic heat is here to stay. Oil heat is here to stay. The Middle West and its adjoining oil supply cannot supply the demand in the next five years. If it can, domestically, then I suggest that this Council, in cooperation with the Oil and Gas Division, tell the people that it can. If it cannot, then it ought to tell them not to make investments in oil burners, in Diesel engines.

That is your responsibility as an industry and as a Government function. If you can't supply them from your domestic production, then you ought to begin telling the public that. If you can, tell them where you are going to supply it from.

That is your responsibility and duty, Government and industry. If you are going to supply it from foreign lands, then I suggest you make it available on an economic basis to all people in the industry.

At the present time -- I needn't tell you, but it ought to be a concern of the Government and this industry -- there are refiners without crude oil today in the Middle West. They don't have an equal access to crude oil. They are without crude oil. They are shut down, or they are operating at a reduced rate.

I think you are entitled to tell the American people just exactly where we are going to get this oil. Now, I know we have a very capable statistical department in the API, and in the IPA, but I have seen those reports for years, and it would take a Philadelphia lawyer to tell the American public what the hell they mean.

Now I envisage, in this cooperative effort, a method to tell the people, in language that they can understand. Out in the Middle West, we don't know too much. We can't read between the lines. The only time, however, when we misunderstand a thing, the people all vote the other way and get rid of what they have, and take on something. I don't know whether they have taken on anything better, but they make those violent moves.

I suggest to you, as an oil industry, you tell the

American people what is the maximum efficient rate of production domestically; tell them what the possibilities over in the foreign lands are.

Sure you can get them, George. No better people in the world than the Texas Company, the Standard of California, Gulf, and now the Sacony and the Jersey -- no better people in the world equipped to tell the Government what is the MER, and what is the producing, the availability in foreign lands. Fine companies, but do you think that is serving the American public by having them individually tell? No.

I want to help those companies, as an American oil man, and proud of being a part of it -- that this statement that these companies are making is not their own words; this is the oil industry's finding; and then back it with the oil industry.

I am not ashamed of being associated with towering giants. I used to call them the brass hats. I have learned better and kinder words, because I have been thrown into contact with them and more and more in the last ten years, and I have a genuine affection, not only for their ability, but for their integrity as men.

Now, more important than all of what I have said is national security. Admiral Horne wrote you a letter that I don't misunderstand.

I would take that letter, and arm-in-arm with Max Ball

and Bob Friedman, I would go see Tom Clark. "Tom, doesn't this put a new aspect on things? Sure, you said this in these other letters, but doesn't this put a new aspect on things? This is national security and we want to help. But we want to help legally. For this specific purpose, Tom, what kind of a letter of clearance can we get?"

That is the power of the War Department, ANPB, and the power of the Department of the Interior, and the influence and knowledge of the oil business going down there offering their services, on a high plane, not conceived in iniquity, as everything we try to do here watches out for.

I don't think there is an oil man who knows how to commit a crooked act, not after living together in the last five years. I don't think so, and if he knew how, he wouldn't do it.

So I urge you, when you get to 6, take Admiral Horne and Max Ball and a committee of you learned men of the law, and say, "What sort of yielding and bending and protection do we get in order to render a patriotic service to our Government?"

I urge, before you adopt 6, that you do that immediately.

Now, I have made three specific suggestions: One is that the Agenda Committee stop functioning as a policy-making group; or, secondly, that if it is the will and

wish of this Council that it function as a policy-making group, that we change the name to the Executive Committee, change its stature under the by-laws, and in the intent creating the by-laws, and that we then expand the executive committee to a proper number, representing all functions of the industry; and thirdly, that we cooperate with the ANPB and the Interior Department; go with them to Tom Clark and get the necessary clearance which I am sure you will get, in order to prepare the information requested under 1.

Now, you have, beyond the military, an important responsibility to the public. I want to deal with that at a little greater length this afternoon, because I think you should expand this Council, on your recommendation, not the Interior Department's or the Oil and Gas Division's.

There are 300,000 people out there in the front line of your public relations called service station people. I think at the appropriate time -- and I am not putting this in writing, George, because I don't think it involves anything legal or is a question of law -- I recommend that at the appropriate time, you appoint a committee of marketers that are on this Council; but leave me off, because I don't want to be on committees; I like the freedom I enjoy here in this capacity as a member.

Appoint this committee to make recommendations about

adding at least three bona fide dealers to the membership of this Council.

Thank you for listening.

MR. ROWAN: I move the adoption of the report.

MR. HALLANAN: The Chair recognizes Mr. Jacobsen.

MR. JACOBSEN: In partial reply to what Barney just said, I want to say two things: First, the Agenda Committee certainly is not an executive committee. We have absolutely no executive authority.

All the Agenda Committee can do is come back to this Council and submit all recommendations, and then the Council can adopt them or amend them or throw them out the window.

We are not an executive committee; consequently, we are not a policy-making committee. All we can do is make humble suggestions, which we are doing.

Next, I would like to read just this very short paragraph from the constitution, or whatever you may call it, of this body:

"Every matter submitted or approved as herein provided shall prior to such consideration be referred by the Chairman of the Council to the Agenda Committee. This Committee shall consider whether the matter is proper and advisable for Council consideration, and shall report its views thereon to the Council as promptly as possible."

In other words, all we do is use our best judgment

to comply with this, and it doesn't say that we must only take into account legal matters. It says we should use our judgment to decide what we consider proper and advisable. Then we submit the report to this Council, and from there on, it is in the hands of the Council, what is to be done.

I think that any change of the type that Barney suggests is out of order, because his premises are cock-eyed.

MR. HALLANAN: Mr. Hamon:

MR. HAMON: I want to second Mr. Rowan's motion.

MR. HALLANAN: Mr. Rowan didn't have recognition at the time. The Chair recognized Mr. Jacobson. But we will now recognize Mr. Rowan.

MR. ROWAN: I move the adoption of the report of the Agenda Committee, as read.

MR. HALLANAN: You have heard the motion as made by Mr. Rowan.

MR. HAMON: I think the Agenda Committee has made a very excellent, temperate and very considered report, and I want to second the motion. I don't want to take up the Council's time, because I know there is a lot we have to do, but I do want to caution Mr. Ball -- I want to assure you, of course, of our cooperation and support, but I do want to caution you not to be like any county commissioners.

I live in Texas and whenever we elect a new county commissioner, why, he has to build a bridge somewhere, and

get his name on a plaque, or just so somebody will know he is county commissioner. I think we have ample problems coming up from time to time, but it does seem to me that the Director, and the Council, itself, should lean backward in trying not to build unnecessary bridges.

With that remark, I again want to second Mr. Rowan's motion.

MR. HALLANAN: Dr. Wilson.

MR. WILSON: I would like to make a couple general observations, and then ask a couple of questions with regard to certain items in this report that seem to me I don't entirely agree with.

I have been very much heartened by what Mr. Ball has had to say. I think all the members of the Council have. I think it shows an approach to the difficult problem of a new Government division with increased responsibilities that is constructive and should prove very helpful, and I think will be welcomed rather than regarded with hostility by other departments of the Government.

It will be a staff, advisory and helpful, I am sure, and we, in our turn, can be of great help to it, I feel confident.

I was also pleased to see the Agenda Committee, after sitting down with Mr. Ball, saw his viewpoint on some things, and Mr. Ball saw theirs on others. I think that exemplifies

the spirit of cooperation.

I cannot see Barney's criticism of this function as an executive committee, because, after all, it is advisory to us, and we have the complete power to throw it out or any part of it.

I do not see that they are attempting to set policy. They are charged with the duty of seeing that we don't discuss things that might get us into trouble. They are trying to do that.

As I see it, the big difficulty on the military advisory committee that has been talked about wasn't touched upon at all by Mr. Majewski, and was only very lightly touched upon by the Chairman; and that is that they feel it necessary to give secret information to a committee and get secret advice from a committee; whereas our committees, under our structure, must report to the Council.

That is the basic difficulty there and, therefore, it seems necessary to really have that come outside the Council's purview.

Now, one question I would like to raise is, why should that committee report to the Oil and Gas Division? Wouldn't it be better, particularly in view of the complicated matters that surround the activities of the Council, and Oil and Gas Division, to help the Army-Navy Petroleum Board to get a confidential advisory committee which would be

really representative of the industry -- and I don't think it should be brass hats. You want men who worked with PAW on the supply and demand problems, and technical problems, men representing technical knowledge in the industry, and basic information of the type that they need, of trends and directions in which they are going.

So that it would almost seem to me that we could best serve the military needs by either our personnel committee, or some other group, combing over the industry for the type of men, giving their qualifications, and then letting the Army-Navy Petroleum Board pick that advisory committee.

The only point on which I really disagree with the report of the Committee, and on which I would like to suggest an amendment to strike, unless Mr. Hill can indicate why he feels it is necessary, is the last sentence under Problem 4, in the second report of the Committee.

I will read the last two sentences.

"These committees should not suggest plans or programs for meeting the nation's security needs but should confine their work to findings of fact. This is required under the limitations imposed by the Department of Justice."

Now, I can conceive of problems of this type involving military plans where it might be desirable to put that restriction on these committees, and the Council may desire to put such restriction; but to say:

"This is required under the limitations imposed by the Department of Justice."

That seems to me is not accurate, because take our comments on the leasing bill. We certainly made recommendations; we didn't confine ourselves to findings of fact.

I thought the one thing we got straightened out by going back to the Department of Justice the third time, I guess it was, was that we didn't have to limit our work to findings of fact; that we could make recommendations; that committees could make recommendations to the Council and the Council could make recommendations.

I certainly don't want to serve on a council that feels it is, or says that it is bound by limitations imposed by the Department of Justice to confine its work to findings of fact.

MR. HILL: I am glad you raised both questions, Bob. The first question related to why we didn't suggest the committee be appointed by the Army-Navy Petroleum Board.

MR. WILSON: Yes.

MR. HILL: As against the Oil and Gas Division. In our first draft, we suggested one or the other. We had the benefit of advising with the Director of the Oil and Gas Division.

Now, the Army-Navy Petroleum Board desired the

use of the facilities, as far as possible, of the Oil and Gas Division, and we, as a body, have been asked with respect to this proposal, what should be done, not by the Army-Navy Petroleum Board, but by the Oil and Gas Division.

Now, if the Army and Navy Petroleum Board desired to receive that information from the Oil and Gas Division, which is compiling and collecting a lot of information, a lot of which they will need also, it was only appropriate that we point out to the body that asked us for advice that the committee could be selected by them.

MR. WILSON: That satisfies me on that, as far as your report is concerned.

MR. HILL: On your other suggestion, while we are members of the Council, we are also American citizens; we are individuals. There is no reason why, in the selection of that committee, the same personalities, the Chairman, members of the Appointment Committee wouldn't be delighted to consult individually with the Oil and Gas Division, or the Army and Navy Petroleum Board about the type of personnel to supply quickly the type of information that they desire, keeping secret the questions asked of them, and the information and advice given.

Now, on the second question, which is the transportation question, that was submitted, Bob -- I think I will have to read the submission to show how we arrived, after

considerable discussion, to the point we recommend.

Here is the submission:

"Wartime experience demonstrated the effectiveness of a thoroughly coordinated and integrated overland petroleum transportation system to which pipelines, tank cars and barge movements on the inland waterways each contributed in meeting the emergency needs of the nation. In the interest of preparedness to face the unpredictable contingencies of the future, it appears to the OGD highly desirable that the industry take stock of present petroleum transportation facilities with a view to evaluating the situation existing today, and recommending such plans or projects as may be considered desirable to assure the adequacy of the nation's petroleum transportation system.

"An illustration will perhaps suggest at least one aspect of the subject warranting consideration. During the war, scores of special projects had to be undertaken (even though time, materials and trained manpower were at a premium) to improve inland waterway or harbor installations so as to accommodate the greatly expanded barge movements of petroleum, as well as of other commodities. Many other essential projects could not be made available as soon as needed because of the delays and special difficulties experienced under wartime conditions. It would seem prudent, now, to appraise the status of our petroleum

barge transportation potential, as a basis for taking steps to eliminate major bottlenecks and assure maximum flexibility.

"I, therefore, urge that the Council create a committee to undertake a survey of the nation's petroleum transportation system from the standpoint of its adequacy to meet national defense and other emergency needs, in order that we may have a comprehensive knowledge of its present condition, its potentialities as well as its limitations. Special attention should be given to possible measures or projects that might be recommended for appropriate action."

Now, here is what was put up to us: A study of all of these phases of transportation. The ability to coordinate and integrate not only those now in existence, but throughout the future.

Here you not only have competition between water and rail, rail and barge, truck and rail; you have a competitive situation in a dynamic industry, with each unit having plans for extensions and improvements and additions.

In the first place, what you really want is the facts. The project of assimilating those facts and drawing deductions from them in the field of planning is a separate function. Therefore, instead of having one committee, we ought to have a committee, to remove the competitive

aspect even as far as possible in getting the facts, that would deal with trucks; another with rails; another with pipelines; another with tankers; and get the fullest development of the factual situation that exists today and not have one committee report with a misstatement of the facts that exist because of the competitive situation between not only these different types of transportation, but between the units in each category of transportation; and then because of the fact that a plan by competitors of not only the same phase, but different phases of transportation in a national system would necessarily involve the removal of competition, the joint use of facilities; the holding in abeyance of a pipeline in order to build a barge system; the holding in abeyance of more cars for railroads because we want to build more tankers, and all that type of thing.

So the conclusions that we reached here were after the most careful consideration of not only the legal aspects, which seemed to denounce clearly the program, but a suggested alternative that would aid Max Ball in getting the factual material for further use in the field of study, planning, and so on, by the military.

Max, do I correctly express your view on how we worked this thing out?

MR. BALL: Yes.

MR. HILL: You see, we have come up with something

different than was suggested, and I think that particular one certainly represents a joint viewpoint on the problem.

MR. BALL: I might just say this: I am not entirely sure that the limitation is as rigid as the Agenda Committee here states, but I am satisfied with the result that we get.

MR. WILSON: Do you need that last sentence, George. I don't quarrel with your recommendation, but I think that last sentence is unwise.

MR. HILL: Bob, you need it for this reason: We are merely making the recommendation. When the Council acts, all of us are bound by what that committee does pursuant to this grant of authority.

Now then, we have had the red flag posted that you cannot plan. We can't get together and go off and plan something for the future, competitors in this industry. So we regard it as not only a protection for the committee and a protection for the Council, but a protection for the OGD, to say that none of us expect these committees to make anything but a factual service.

MR. WILSON: What about the comments on the Leasing Act; they made recommendations.

MR. HILL: That was not with reference to competitive activities. That was a statement that as far as the whole American public is concerned, we think that it is wise that

this regulation be adopted. That isn't something that would favor you and hurt me or benefit him. We say that it is a policy of the Government, that you ought to establish a law and regulations under the law of a certain type for the equal benefit of all citizens.

We people holding facilities, who are competing with one another and must continue to compete, to say that we recommend not only to the Government, but to each other that Standard not build this pipeline because Gulf has in mind down the line to build a line which will just as well serve the public interest, would be unlawful.

We must, each one of us, in this competitive system here, go ahead and do what we think ought to be done in competition with not only the other units in the same type of transportation, but in relation to all types of transportation.

We can give the facts, a full revelation of the facts; but we cannot, as a Council or committees of this Council take those facts and plan the future with respect to the state of competition in our private activity.

So we went into that in the most detailed way, and as the Director says, we have come up with a facility that will, as far as we can determine, usefully serve the objectives that he has in mind.

MR. HALLANAN: Mr. Marshall.

MR. MARSHALL: As one member of the Agenda Committee who was not present, if Dr. Wilson would make the motion to strike that sentence, I would second it, and I would second it for this reason: That while I agree certainly with Mr. Hill that as an industry, we can't get together and agree as to the manner in which we are going to limit competition, I would not agree that this Council, or its subcommittees were powerless to make any suggestions of any kind; and that language is sufficiently broad so that the suggestions, that no suggestions as to future plans even for the Government could be made.

It seems to me that the sentence as included in the report is too broad in the sense that it is likely to tie the hands of the Council or its committees in action in making recommendations in the future, for things that it is perfectly proper for the Council and its committees to do and that this Council and those committees will want to do.

MR. WILSON: Without changing the recommendation in any other respect, I do move you that we strike the one sentence from the report, as an amendment to the motion to adopt the report.

MR. MAJEWSKI: Will you read the sentence?

MR. WILSON: "This is required under the limitations imposed by the Department of Justice."

The word "this" refers to "should confine their work to findings of fact." I don't think we want to impose such a limitation on ourselves, and I don't think it has been imposed by the Department of Justice. I am glad to see that Mr. Marshall concurs.

MR. MARSHALL: I second that.

MR. HALLANAN: The Chair recognizes Mr. Ball, who wants to make some comments.

MR. BALL: Not on that.

MR. BLAUSTEIN: Mr. Chairman, I merely want to add to what Mr. Marshall and Dr. Wilson have said. It seems to me we certainly do not want to forever say that we will confine ourselves only to facts. There may be times when we want to make recommendations, advices on policy; there may be times when we do not want to do so. We will treat with them as the particular situations arise, but we certainly don't want to imply a limitation to fact-finder only, because if that were the case, then this committee should be an entirely different sort of committee. It should be a committee of fact-finders, not the type of committee it is.

MR. RUSSELL B. BROWN: Mr. Chairman, as I interpret this sentence, it is controlled more or less by the previous sentence, which is:

"These committees should not suggest plans..."
and "these" follows the delineation of committees, in

response to this question. It doesn't apply to any other question, such as the public lands, where we appropriately made recommendation.

But here, supposing we get committees that appraise the effectiveness of one transportation system against another, and make recommendations on it. Then we, in response to that recommendation, adopt that transportation system; and Mr. X, who is just devising an entirely different transportation system, maybe by plane, or some other way, that might in the long run be very effective, would say, "You, as a Council, got together and agreed to squelch my business and destroy it."

MR. WILSON: I am not suggesting changing the recommendation. I do think it is a bad sentence. It will rise up to smite you.

MR. JACOBSEN: Regarding these particular committees.

MR. RUSSEL B. BROWN: I was reading it in connection with the previous sentence. I do think that is factual, but it wouldn't apply to some other consideration.

MR. DRAKE: I would like to ask the Chairman of the Committee, what is the harm of leaving it out?

MR. HILL: I want to say this. Mr. Marshall was not present in our deliberations yesterday in the Agenda Committee. We haven't been able to review here in this discussion all the considerations that we gave to it in

the Committee.

The reason why we felt that it should be in there was because this action must be interpreted in the light of the request. The request calls for plans for coordination and integration of the whole national pipeline system, not only in respect to the present, but the future. As Russell Brown pointed out, that sentence must be construed in the light of the sentence preceding it. It can't be construed in any other way.

Furthermore, our recommendations are in reply to proposals which, in the judgment of the members of the Agenda Committee, who participated in the deliberations, called for action which, in the judgment of the members of the Committee making the report, was a violation of the anti-trust laws.

Now, to obviate the whole thing, we worked out a plan here of separate committee reports by separate committees for each different category of the transportation business; and we thought, in view of the nature of the request, that the Committee should recommend to the Council that it protect itself and the Oil and Gas Division in saying that these committees that will be set up shall not make plans which are within the prohibited limitations imposed by the Department of Justice.

I don't think it has any general application at all.

It relates only to the particular committees, in relation to the particular proposals.

MR. BAKER: George, I might point out the other committees are called upon to make recommendation.

MR. BLAUSTEIN: It just seems to me that either the last sentence should be left out or the previous sentence ought to be amplified. Some of the explanation that Mr. Hill gives should go into that sentence. There is ambiguity. Some people have understood it to apply generally; some otherwise.

Either the sentence Dr. Wilson refers to should be eliminated or the previous sentence should be stated something like this:

"These particular committees, because the question goes to that of consolidation..." and so on, the different points you object to, Mr. Hill "...should not suggest plans or program."

But you ought to make it clear that the first thing, it is these particular committees; and secondly, why it is that they should not suggest plans or programs.

MR. WILSON: You might say:

"In view of the competitive aspects of this problem, these committees should not suggest plans..." and so forth; and I would still be inclined to leave out the last sentence. I think it would be just as well to leave it out.

MR. BLAZER: If the last sentence doesn't have general implications, why, then, it should be stated in such manner that no one could so construe it.

MR. HILL: You could say this, to satisfy your point, Paul:

"The foregoing is required under the limitations imposed by the Department of Justice."

MR. BLAZER: Something comparable to that.

MR. BAKER: George, I think you can leave that sentence out.

MR. HALLANAN: I am going to suggest that Mr. Hill and Dr. Wilson get together and see if they can work out something that might be satisfactory.

MR. WILSON: Why don't we adjourn for lunch?

MR. HILL: I will say this. I would like Mr. Baker to give his reactions to that sentence.

MR. BAKER: I think that the point is adequately taken care of in connection with other committees because we provide that several of these other committees shall report their findings and recommendations.

This one is in a different category, for the reasons Mr. Hill has pointed out, and the limitation upon their action is confined to fact-findings because of the competitive situation that he has referred.

Now, if the Council wishes to instruct its committee

definitely, as set out in the next to the last sentence, and doesn't care to give its reason for the instruction, I wouldn't see any real objection to it. You could eliminate the last sentence without losing anything.

The reason the Agenda Committee put that in was by way of explanation, in a sense, for the limitation upon the instructions to the committee. But if the Council is agreeable to putting in the instructions to the committee without giving its reason, I wouldn't see that you would lose anything particularly by it, so long as it is understood as one, at least, of the reasons why you have done it.

Now, I think most of the lawyers who were on the Committee felt that regardless of what the Attorney General may have said, or what the Department of Justice may have said, that the law, itself, the anti-trust laws very clearly impose the limitation that this group can't get together and plan an integrated transportation system for petroleum in this country without violating the anti-trust law. That is imposed by the law, not merely by the provisions in the Attorney General's letter.

If it went to the point of planning an integrated transportation system, that would violate the anti-trust law.

Personally, I wouldn't see any objection to the elimination of the last sentence, so long as the instruction

contained in the preceding sentence is retained.

MR. MARSHALL: Mr. Chairman, it would seem to me whether or not a plan suggested was a violation of the anti-trust laws would depend on what the plan was, and I can't get that until I see it.

Just as an example: It is quite conceivable to me that this committee would suggest a specific plan, even of an integrated transportation system that should go into operation in the event of another war, with the proviso in its report that in order to accomplish that, it might be necessary that the anti-trust laws be suspended in some such way as they were under Section 602 during the last war.

I wouldn't regard, Hines, such a suggestion or such a plan as something that was improper for the committee to suggest.

It seems to me it gets back to the simple question, what is the plan; what is the suggestion? Some would be bad; some might be all right. That is my only position.

MR. W. ALTON JONES: Mr. Chairman.

MR. HALLANAN: Mr. Jones.

MR. W. ALTON JONES: May I suggest that this question be referred to a committee of Dr. Wilson, George Hill and Mr. Marshall for consideration, and report back after lunch? There is not a meeting of minds there.

MR. HALLANAN: I was about to suggest that a minute ago and it was indicated that we might get something.

MR. W. ALTON JONES: While I am on my feet, may I make a couple other suggestions? I think it is terribly important for the lay members of this Council, that the Agenda Committee be very careful and not give rise to such suggestions or feelings that Majewski expressed here this morning.

I think, wisely, the Council, in creating the Agenda Committee, did not label it an executive committee. It was not the intent or desire of this Council to create an executive committee that would take unto itself the duties and responsibilities of this body.

It was clearly understood that this body was to act and function upon every matter of importance on which it was asked to speak, and that is as it should be; and we should never create an executive committee, Mr. Majewski, in my judgment, in the sense that the Agenda Committee might so become one, made up, as it is, of only eleven members.

Now, it was rightfully and, I think, properly not called a legal committee, because we discussed in the formation and creation of that committee that they would have to consider other than legal questions in passing upon the propriety of these subjects that might be referred to it from time to time.

It seems to me the Agenda Committee must be very careful in reporting back to the Council that it try, in so far as is possible, to say which is the legal, or what legal reasons they have for not recommending action, and what are the policy reasons; and there is no reason why the Agenda Committee can't so state in its reports to the Council.

Then those of us who are lay members, or partial lawyers, will have no trouble in finding out whether we are making a decision on policy or whether, as Hines Baker says, we are making a decision based solely on a legal interpretation of the law.

I do find, however, in having some experience in hiring lawyers, only once in a thousand years do you get any two of them to agree on anything. So you might get Hines Baker to say you are violating the anti-trust law, and Marshall to say you are doing no such thing.

I think in reports to the Council, to avoid unfortunate discussion, they could say this: "Because of legal reasons, we recommend against this; because of policy reasons, we think this is unwise and we recommend against it."

Now, one more point and I am finished. This report of Mr. Hill's committee, if approved, would require the creation of four committees.

MR. HALLANAN: More than that.

MR. W. ALTON JONES: I think only four, so far as the Secretary has been able to advise us.

MR. HALLANAN: Four under the section we are discussing now.

MR. W. ALTON JONES: I am talking about four general committees: Statistics is one; two is technical committee for fuel for military aircraft availability; three is national transportation systems, of which there will be four; and four is international standard of the measurement of liquid fuels for aviation.

I would like to urge that the Agenda Committee do one other thing. That they name or create the name for these committees, so the committee won't name itself, and by its name, adopt some unfortunate language or nomenclature that will imply that it has responsibilities that it doesn't have.

So I would like to charge you, Mr. Hill, in creating committees, or authorizing the creation of committees, or recommending that committees be authorized, that you specifically define the names of the committees.

MR. HALLANAN: Mr. Jones, don't you think that definition should arise from the request where it originates?

MR. W. ALTON JONES: Yes, I do, and one other thing I was going to add was this:

MR. HALLANAN: The committees should be made as

designated in the request form.

MR. W. ALTON JONES: You might want to leave that to the decision to the Agenda Committee after conference with the Oil and Gas Division.

The last point I had in mind was this: It is awfully important that a format or a form be created as early as possibly, so that these requests coming to this body be in regular order, and that they are not so wordy and so full of language that no one can understand them.

I know Mr. Ball will appreciate that, and perhaps you have somebody working on that now. It will simplify the whole problem of Mr. Hill's committee greatly, if there is a certain form that will put out of the way a lot of unnecessary language.

Now the last point I would like to make is to ask that the Committee on Appointments meet fifteen minutes in advance of the reconvening of this Council, so we can consider some of these committees.

In case you don't know who these people are: Jack Hamon, Mr. Jennings, Mr. Moyle, Mr. Frank Porter, Ernie Pyles, Mr. Rodgers, Mr. Roser, Mr. Thatcher, Bob Wilson. Those are the members of the Appointment Committee.

I would like that committee to convene fifteen minutes before the Council resumes after lunch.

MR. MAJEWSKI: I just want to take another minute. I

want to refer just briefly to what Jake dismisses as a cock-eyed matter of interpretation. Jake is too good a friend of mine for me to debate that with him, but he reads one sentence of a very important paragraph, and knows that the other six are the meaning and not the title of the paragraph.

I want to refer you to 5999, which is the order and procedure under which we adopted these things, the intent, and read carefully on Page 3 the paragraph that deals with the limitations placed upon the Agenda Committee.

Now, then, to prove my point that it is a policy committee, making policy decision, as well as one dealing with legal aspects and propriety -- and no use kidding about language -- on Page 3 of the report of January 20, the very bottom of Problem 1, the last sentence:

"However, the Agenda Committee is of the opinion that a committee of the National Petroleum Council should not be the medium for securing estimates of reserves and availability."

Now, if that is propriety or legal aspects, I want to know about it. You are dealing with the policy of whether you are going to make reserve estimates and availability estimates.

Instead of saying "opinion," and asking us to vote on it, say that you disapprove of a committee of the

National Petroleum Council being the medium. Don't say "opinion." Say "disapprove," and I will buy it as a legal or propriety or availability thing, and I will vote for the thing.

I am glad, Jake, that you have committed the Agenda Committee to the point that it is not a policy-making committee, and I hope the record shows that.

MR. JACOBSEN: Certainly we can't make policy. All we can do is recommend, and you fellows can do as you like.

MR. MAJEWSKI: Certainly that gives you the battle of the ages, and I am getting too old to do that. I know what you are talking about and I have been up against this in other bodies.

When this report of January 13 was issued, it was a policy-making report. That is what it was. You changed it with your report of January 20, and I am no dummy. I know something about moving around on my feet, both mentally and physically.

I know when a report comes in here from a committee bearing your name, and George Hill's name, and Hines Baker's name, that the steamroller begins to work. Hell, I have been around here a long time.

(Laughter)

MR. MAJEWSKI: All I want to say to you is, and pay

just a little heed to what I admonish you with -- the success of this Council does not depend entirely upon the men in this room. It depends upon the backing of a million and a quarter people in the oil industry out in the field, and when you interpret some of these things, as some of us will be asked to, you know, we meet with the hoi polloi in the hinterlands -- I mean, we really get dirty with them, and after all, they are the people that mean everything in this business, and not this group.

MR. HILL: Can I ask a question, Barney?

MR. MAJEWSKI: Yes, George, I will be glad to answer your question.

MR. HILL: There are so many people here that haven't served with me for five years, and I wouldn't like to leave the remark that you made, in any report I signed my name, it has a steamroller implication.

MR. MAJEWSKI: It has the greatest influence in that direction.

MR. HILL: Wouldn't you like to modify that?

MR. MAJEWSKI: Yes, George. Not to get into debate with you, it has a great deal of influence in that direction. I am not challenging the integrity of the report. I am saying, when you and Jake and Harvey -- look at it. You know who is on the committee, all of you? When those eleven boys put their names on it, brother, I am a fool

for getting up here and arguing a point, to ruin personal friendships, but I have the nerve to do it.

That is what I mean, and I won't withdraw beyond that. Nothing persons. I said that what we do here transcends individuals. This oil industry made every one of us. We didn't make it.

MR. HALLANAN: The Chair recognizes Mr. Duke.

MR. DUKE: I would like to say one point that has been overlooked. As Mr. Ball, himself, said yesterday, if he had to submit those same problems again, he might word them a little differently.

I think it is important to point that out, because perhaps there might be a greater difference of opinion between what was asked of us and what we recommended; and actually, I believe, Mr. Ball, you made that statement.

MR. BALL: Yes, I said to the Committee yesterday, and meant it, that the form in which some of our requests were made was capable of a broader implication than we had intended in some respects.

In no case did our intent go beyond our discussions with the Committee, but some of our wording perhaps was capable of interpretation as requesting considerably more than we had intended to request.

MR. DUKE: Then there is one other, while I am on my feet, one general and one specific observation.

The general one is, as a member of the Agenda Committee, I take no exception to Barney's speech here, and I don't believe any of us do, if we consider it carefully. I would be very disappointed, and I would lose all my respect for the people in this room if they would rubberstamp what the Committee proposed; and if it is going to be a question of somebody promptly moving to adopt the report, as is, without any discussion, I think it would be a pity.

The specific recommendation is, I cannot see how the requests given by Mr. Ball could name the title of that committee, because in many cases, we don't come back with precisely the form of committee that he may have asked for, and it would, therefore, be misnamed.

I think it might be suggested by the Agenda Committee -- some appropriate name -- but I don't see where it could come in the original request.

I want to sit down on the note that I hope, for my sake, that the eighty-odd people on this Council won't let the Agenda Committee do all the work; they will argue the things that are brought in here.

I, personally, don't believe that any difference of opinion about what we recommend is going to hurt anything. I don't believe any of us are that thin-skinned on the Agenda Committee.

MR. JACOBSEN: I just want to ask Mr. Ball one question,

if I may. You sat with us all day yesterday on the Agenda Committee, and I want to know if you or Mr. Ide saw any evidence of any steamrollers. Did you?

MR. BALL: I can assure you we did not; not either to us or to the rest of the Council.

MR. MAJEWSKI: I didn't make that statement about the Agenda Committee. You weren't listening, Jake.

MR. DeGOYLER: In view of what has been said here and in view of the fact I think most of us are probably in accord with the bulk of the recommendations of the Agenda Committee, I wonder if Mr. Rowan and Mr. Hamon wouldn't allow the material to be taken up item-by-item. I know I have some opinion on some items. I should certainly hate to vote against the motion to approve the entire thing in toto, but I think we will get better consideration if we take it up item-by-item.

MR. W. ALTON JONES: Can we take it up after lunch?

MR. HALLANAN: Such a procedure is already open, in the motion of Dr. Wilson on one item of the report, which was offered as an amendment to Mr. Rowan's motion; and that same procedure could be followed by you, or any other member of the Council.

MR. DeGOYLER: I offer that as an amendment to the motion, that it be taken up item-by-item.

MR. HALLANAN: Well, there is an amendment now

pending. Dr. Wilson's amendment is before the house.

What is your pleasure with respect to that? Dr. Wilson has apparently left the room for the moment.

MR. W. ALTON JONES: I move we adjourn for lunch.

MR. HALLANAN: It is now one-ten. If there is no objection, we will have a recess until two-fifteen.

(Whereupon at 1:10 p.m., the Council recessed to 2:15 p.m.)

AFTERNOON SESSION

MR. HALLANAN: Gentlemen, the Council will be in order. At the time of our recess, there was pending an amendment to the report of the Committee on Agenda, offered by Dr. Wilson.

The Chair recognizes Dr. Wilson to speak with reference to the amendment.

MR. WILSON: The Committee is in agreement that we add a clause ahead of the next-to-the-last sentence on Page 4, Problem 4, reading, "In view of the competitive aspects of this problem..."

Then the sentence reads:

"In view of the competitive aspects of this problem, these committees should not suggest plans or programs for meeting the nation's security needs, but should confine their work to findings of fact."

And then strike the last sentence.

MR. HALLANAN: Mr. Hill, is that amendment acceptable?

MR. HILL: Yes.

(Whereupon the motion was duly voted upon and carried.)

MR. HALLANAN: So ordered. Are there any other amendments?

MR. DOW: Mr. Chairman, in respect to Problem 4, on Page 4 of the report that you read, I would like to ask Mr. Hill a question. The Agenda Committee recommends

that this transportation study be made by separate committees for each method of transportation. I suppose that is a pretty good illustration of the situation in which the Committee felt that it was the compulsion of the anti-trust laws which was such as to require a method of study that from a practical standpoint is not too satisfactory.

I mean by that this: Any study of the oil industry's transportation facilities must recognize that some oil may move by one mode of transportation under one condition and by another under other conditions.

Certainly if we were free from any restraint of a legal character, instead of putting a group of pipeliners in one room, and a group of rail transporters in another, and barge in another, and never letting them communicate with each other -- instead of doing it in that way, you would start with a different approach.

You would take your area to be served; you would estimate its consumption over the future; you would study its immediate production of oil, supplied locally; you would find then the amount of oil that the area required to be brought in. Then the question would arise as to what mode of transportation would be the most desirable; and that, in turn, would depend upon facilities or the lack of them, and so on.

I am not quarreling at all with the findings, but I assume that this compulsion of separate committees, completely separate committees is a legal one, and is not governed by practical considerations. If it is, I would like to discuss it somewhat further.

MR. HILL: Well, these are factual reports. We figure that those that are engaged in the pipeline business would constitute a good and desirable committee to report upon the factual situation about the existence of pipelines. Another small committee, a committee engaged in the tank business could report the facts about that.

The study will follow, perhaps, by other people in the OGD, or elsewhere, the correlation of these facts, and what they mean, and imply -- an over-all study.

These are merely factual reports by different committees of separate phases of the transportation facilities that now exist.

MR. W. ALTON JONES: I think, Mr. Chairman, the question is directed to the point as to whether you see any legal reason why this report should be made by five different committees. Isn't that the point, Fay?

MR. DOW: Yes.

MR. W. ALTON JONES: I don't think so. I had hoped you would find it wasn't necessary, because the creation of five committees is quite a chore. Conceivably, and, of

course, in this case it would be absolutely true, you would have to have specialists in each of those divisions; but why do you have to have five committees reporting to this Council?

I mean, I am just asking this legal question, do you? If you do, you don't need to tell me why.

MR. HILL: We thought both for legal and practical reasons, as well as a saving of time and work, instead of having barge people dealing with pipelines --

MR. W. ALTON JONES: They wouldn't, of course. In the make-up of your committee, you would have barge men and railroad men and pipeline people on it. But if it is legal, I ask no further questions.

MR. HILL: I think it has a dual aspect.

MR. HALLANAN: Are you satisfied, Mr. Dow?

MR. DOW: Yes.

MR. HALLANAN: Or do you want to press the matter?

MR. DOW: I assume if it has the dual aspect, it has the legal compunction, and that answers it. You can discuss the practical phases of five committees against one, and there are arguments on both sides, of course. But if it is required by law, that closes it.

MR. HILL: You can't say that it is required by law any more than you say any other legal conclusion is. It has its weight with the Committee.

MR. HALLANAN: The Chair recognizes Mr. DeGolyer.

MR. DeGOLYER: I shall not go ahead with the motion I proposed this morning in the economy of time. There is a subject upon which I don't propose to introduce an amendment, but I hoped there would be some opportunity for discussion on it, and this is the problem:

I refer to the paragraph "Problem 1," the problem submitted in the letter of January 14, 1947, in the report of the Agenda Committee of this morning.

"However, the Agenda Committee is of the opinion that a committee of the National Petroleum Council should not be the medium for securing estimates of reserves and availability."

Without knowing exactly what the argument is, I have some sympathy with the viewpoint. I have discussed with one member of the Agenda Committee during the lunch hour some of the difficulties with which this Council would be faced, if it undertook a job of that sort.

Still, I submit that there is hardly a question that comes before this Council where the problem of future supply of crude oil, which is dependent both on reserves and availability, isn't extremely important.

Whether or not the Council wants to do something about it or is in position to do something about it, I don't know. I see Mr. Boyd over there. I don't think the API estimates

are entirely satisfactory. Of course, they cover only reserves.

If it is a matter that is of no concern to the Council -- I shouldn't say, concern, but a matter upon which the Council feels that it shouldn't take any steps, why, I presume the best thing to do is to go after the API and try to get them to do a somewhat more detailed job of that.

I have no amendment to suggest. That is merely a point I would like to get some discussion on.

MR. BOYD: May I say to the members that I didn't participate in this phase of the discussion. I didn't know anything about it.

MR. DeGOLIER: I knew that.

MR. BOYD: You know I didn't know anything about it; the fact that the API was gathering reserve figures had no bearing.

MR. DeGOLIER: That I am sure of. I am clear on that point.

MR. HILL: I would like to make an observation in reply to that. Mr. DeGolyer will remember that during the PAW, when we had the benefit of the exercise of the war powers, he was the head of one of the divisions of the PAW.

The Deputy Petroleum Administrator used District 3

as a guinea pig for the establishment of what is known as the IVY Committee. There was a great difference of opinion; in fact, a very sharp schism in the PAW as to the propriety of the Committee's work. That was a sub-committee of the Production Committee, of which I was the chairman.

That committee was assembled and Mr. DeGolyer was sent down from Washington to meet with them. They agreed that they would make a study of availability, provided that they would be given written assurance by Washington that the records in relation to those studies should not be kept in Washington, and should be surrendered and destroyed at the time of the dissolution of that committee.

Each member of the committee, by firm agreement, agreed to take no notes of any of the studies and discussions that they had in the committee meetings, and that it will be treated by them in confidence, the information revealed by the various producers in the various fields on which they made their MER studies or availability studies.

At the time of the dissolution of that committee, I was asked by them, as Chairman of the Production Committee, to see that Washington complied with that agreement, which they did.

That illustrated not only the secrecy deemed necessary by the members of that committee in getting from companies

and individual operators the confidential data in relation to their leases and their wells and operating problems.

Many many months and even years of work was involved in the compilation of that data, with respect to District 3. There was under consideration whether or not, even during wartime, that work should be extended to the other four districts of the PAW. My recollection is that the PAW decided against that.

You recall the differences even in the Production Division of the PAW about the propriety of Government in wartime seeking from individual operators confidential information about their problems in relation to this so-called MER study.

Now, we considered, in the light of the experience of the PAW, and the Ivy Committee in District 3, as one of the practical phases of setting up in peacetime in the National Petroleum Council committees to make that character of study, particularly in view of the fact that under the Attorney General's opinion, as well as our rules of procedure, any committee which makes a report must give in its minutes the data upon which the conclusions of the committee are founded, in terms of evidence.

Now, that is another very restrictive thing. In addition to that, we had in mind the fact that there are

probably ten major companies in this country who, from the standpoint of satisfying their own commercial requirements, in having knowledge of the availability of oil and the MER, and throughout the country, have that data; that maybe they wouldn't surrender to a competitor or the industry, but would, undoubtedly gladly reveal to those in Government who felt that it had a pertinency in relation to national defense.

Furthermore, there is a very profound disturbance in a number of places about what is deemed to be, whether founded or ill-founded, an effort to set up in the Division of Production in the National Petroleum Council, a conservation section in relation to oil; and to make a utilization of these so-called MER figures in sending delegations out to other states, California, for example, Mississippi, for example, to tell them what kind of conservation laws they ought to have, in the light of what they understand to be MER and what they understand to be the current production.

Those are some of the questions that we had in mind, not all of them, but some of them that are important, in taking the position that, first, the Government can get the information, the OGD can get, the Army-Navy Petroleum Board can get from the reliable and authentic sources, in confidence, all that they need have, both domestically and in the foreign field, to serve the requirements of national

defense; and second, that when it comes to an attempted exercise of conservation, jurisdiction or guidance, in relation to the production of oil, it would bring this Council and the OGD into unnecessary conflicts with the state regulatory bodies, and put the industry at variance, and maybe in unhappy state with those bodies having jurisdiction over the production of their oil.

That is a brief to you of some of the things that we discussed in reaching the decision on this question.

MR. HALLANAN: Gentlemen, the question before us is the motion of Mr. Rowan that the report of the Agenda Committee be adopted.

MR. MAJEWSKI: Mr. Hallanan, before you do that, I have one suggestion to make on Problem 3 on Page 4 of the report of January 20.

I suggested this morning that in view of Admiral Horne's letter, we explore with the Department of Justice, with Mr. Ball, and with our committee, whether or not they would expand the so-called limitations that are now imposed by the Department of Justice letter, to permit us to appoint a committee to make this study and furnish this information.

I would like to suggest that the wording in the first line, after the word "recommend," be changed to, "at this time." So it would read:

"The Agenda Committee is unable to recommend at this time the appointment of the committee suggested..."

Add the three words "at this time," after the word "recommend" in the first line. Then add a final sentence to that paragraph:

"The committee further suggests that the matter of limitations imposed by the Department of Justice on matters of this kind be further explored with Mr. Ball and the Department of Justice."

MR. WILSON: What about the secrecy angle? That is the part that worries me.

MR. MAJEWSKI: To me, the secrecy angle can be imposed. We always knew what the total figure was during the war period. In all of the figures that we considered, we knew what the total figure was. Nobody asked for a breakdown, and after all, all we need in any planning for domestic activity is the total figure required by the military, and not a breakdown on it.

So I don't attach too much importance to the secrecy angle.

MR. HILL: May I make this observation? I think this will reach your desires. As a matter of law, it doesn't make any difference if the Attorney General, out of the goodness of his heart, should desire to relax the rigors of his letter. It is a law that is on the statute book.

He is not a legislative agent. If he should write another letter, you would still have the question, does that amend the law.

So your purpose would be just as well served if, at the next meeting, or within the next week, if a new situation is presented, and this was resubmitted by Mr. Ball, and the Agenda Committee would have to make a study of it again. But in the light of the existing situation, this is the kind of report that we felt a compulsion to make. Couldn't you serve your purpose just as well in that way?

MR. MAJEWSKI: You mean to say that you would reconsider, after you developed these facts that I suggested?

MR. HILL: We would have to reconsider. If there is another submission of it by Mr. Ball, that is your rule of procedure. It comes again.

MR. MAJEWSKI: I withdraw my suggestion.

MR. HALLANAN: Gentlemen, I want to interrupt this discussion a moment. It had been anticipated that Secretary Krug would meet with us this afternoon, but I learned that he has been held up by an appearance before one of the congressional Appropriations Committees. But we are privileged to have with us at this time the Under-Secretary of the Interior, Mr. Oscar Chapman, who brings the greetings of the Secretary.

Under-Secretary, we are very happy to tell you today

that this petroleum council has passed through its formative stages and today has emerged as a permanent organization, along the line which Secretary of the Interior had indicated was his desire.

We are moving along, and we are delighted to have the cooperation of the new Director of the Oil and Gas Division, who has been with us, and in whom we all have complete confidence and respect.

I know that you are hurried for time, but we are delighted to have you and would appreciate anything that you might care to say to us.

(Applause)

MR. CHAPMAN: Mr. Chairman, I always regret and dislike very much having to substitute for the boss. We call him Cap here, as you all do. He had on his heart some very real things he wanted to say to you today, and had fully intended to be present here. I don't need to tell you the importance of his absence when I tell you that it is before the Appropriations Committee that he is detained this afternoon for further discussion with the Appropriations Committee of the House. I assure you that nothing less than that would have kept him from this meeting.

This Department is extremely appreciative of the fine spirit of the industry group that is working with the Government in this program. I regret that I could not

have been here this morning to have heard Ralph Davies. I understand he spoke this morning.

I don't need to say to you people that we have the highest regard for Ralph Davies, a man that we feel is one of the outstanding men in his field in the country. But we feel also fortunate, while losing such a man as Ralph Davies as one of our co-workers in the Department, that we were able to get Max Ball to succeed him.

You people are all acquainted with him and his work, with his experience, and we in the Department have also been somewhat acquainted with it ourselves.

We are extremely happy for you people to know that we are able to get him to come with us, to head up this Division of the Oil and Gas Program in this Department. I feel that we are extremely fortunate, particularly those of us on the Secretarial Staff, to have such men to cooperate with us and work with us on our immediate staff as Mr. Ball.

We also feel a great sense of appreciation of the fact that this Committee has organized itself into a permanent committee, and is now working on that basis, in cooperation with the Government, on one of the biggest business programs of the country.

You have done a magnificent job during the war, and I want to say that I am not one of those bureaucrats who feel that you haven't done a good job in peace. I feel

that you will do even a better job in the years ahead, if we can all work and cooperate together, as certainly the tenor of this meeting indicates that we can in the future.

I would have been reluctant to have appeared here this afternoon to even think of such a thing as submitting myself for questioning by this group on such technical problems, if I didn't have in the supporting ground here such men as Dr. Fieldner, and then, of course, one of our men, if he hadn't decided to go out and leave the Government. We could have turned to Marshall over here to answer some of the questions that might have come up. He understands how we used to have to get into a huddle to get some of these answers; and I was pleased to hear the discussion for a few minutes here and pleased to know that just the bureaucrats are not the only ones that disagree in our conferences all the time; that it is through this process of conferences, of discussion, and sometimes of disagreement that we bring out the finest of the program, the one that in the end may prove the more beneficial to the country, as a whole.

I don't need to tell you people that this Department welcomes your activities here and your support, and help in this program, and I wish that I might remain longer to be with you, but I want to say to you that Mr. Ball has the complete support of this Department in the work that

he is undertaking to do for us in the coming years.

With that, I have to leave you to pinchhit for the boss in another committee that I have to hold in my room in a few minutes.

We do welcome you here in your organization program today. Thank you, Mr. Chairman.

(Applause)

MR. HALLANAN: Gentlemen, I think we have a very striking demonstration of the interest in Government in the work of this organization by the presence here today of some of the key men of the Army and Navy staff.

We are delighted to have them here, and I want to take the opportunity now to present to you General Leroy Lutes, Director of Service, Supply and Procurement of the War Department General Staff. We would be very glad to have a word from you, General Lutes.

(Applause)

GENERAL LUTES: Gentlemen, I didn't come over here prepared to talk, and as a member of the Army-Navy Petroleum Board, Admiral Horne is my immediate chief. I see he is here today, and I am sure he will probably speak for the Board.

I will speak for the Army and say that on behalf of the War Department, I welcome an opportunity to express appreciation for both the industry's work and the work of

the Interior Department, and the petroleum committees, for their fine cooperation during the war.

Of course, you know the Army and Navy are two of your big customers in wartime; are not such large customers in peace; but we are large customers in war, and one of our principal problems in peace is to plan for any emergency. The formation of a permanent military subcommittee to help us in planning is really vital.

We have to plan shortcuts in production and in distribution and in ways and means of allocating resources, so that the national defense will get what it needs without too much infringement on the civilian economy; and in that work, in time of peace, we need your help; and the more help that we can get and the more constructive criticism we can get, the better.

Your cooperation in the past has been appreciated and we will certainly be grateful to you for more of it in the future.

(Applause)

MR. HALLANAN: Thank you very much, General Lutes. One of the Government organizations with which we will come in very close contact in the course of events is the Army-Navy Petroleum Board. We are honored this afternoon by a visit from Admiral Horne, who is Chairman of the Army-Navy Petroleum Board, and Special Assistant to the

Chief of Naval Operations.

Admiral Horne, we would be delighted to have you speak.

(Applause)

ADMIRAL HORNE: Gentlemen, this is what I get for coming when the people who work for me tell me that I don't have to say anything. I hope that you don't take that as meaning that what they tell you, though, isn't true.

(Laughter)

ADMIRAL HORNE: We are extremely interested in what you gentlemen do, what you decide here in these few days. It means a great deal to us. I am a good deal like the schoolboy dabbling in oil. The only thing I know about oil is that it takes a lot of washing and a lot of stuff to get it off your hands and face and off your clothes. That is about all I know about it.

So we really do need your help. I know we are going to get it. I know we are going to get it in peacetime as we have in wartime.

／ We have many problems, problems, as General Lutes told you, that we really need your assistance on. We are counting upon you not only as American citizens, but as friends, to help us out in a great many ways, and I feel very definitely that we can count upon you to help us in these problems.

I wish you good luck. I hope you have a successful meeting here all the way through, and if at any time there is anything that we in the Services can do to help out, I know that General Lutes and I will be delighted to do anything we can.

(Applause)

MR. HALLANAN: Thank you very much. We do have another distinguished observer from the Army, who has been with us for most of the session today. We are glad to welcome him upon the part of the Council. Colonel Webster Anderson, Chief of the Fuels and Lubricants Supplies, Office of the Quartermaster General, United States Army. Colonel Anderson, we would be glad to hear from you, and I take pleasure in introducing you to the Council.

(Applause)

COLONEL ANDERSON: Thank you, Mr. Hallanan. I don't think I have anything to add to what General Lutes and Admiral Horne have said. I am interested in developments here this afternoon, that is all.

MR. HALLANAN: Glad to have you here, Colonel.

(Applause)

MR. HALLANAN: Mr. Ball would like the opportunity, before we go to the final vote on the report of the Agenda Committee, to make some further comments, and I think that now we may hear from Mr. Ball.

MR. BALL: Well, I have been trying to make a little scoreboard of where we stand here on these questions that have been submitted to the Council, on which we have requested action, as they have been passed upon by the Agenda Committee.

To date, we have made ten requests, and I would like to just refer to each of them and give you the action that has so far been taken, either by the Council, itself, or by the Agenda Committee.

We asked for a committee on LPG pressure tank cars. We got it. That committee has been in action. You will hear a report from them later in the afternoon.

As a result of the action of that committee and the cooperation that we could give them in OGD, I think we can say that at least 500 tank cars that would not now be in LPG service are in that service.

We asked for a committee on materials. We got it. And that committee, likewise, has been active, and certain export controls which were extremely troublesome to companies operating in foreign fields, due to the activities of that committee, and other activities which we were able to coordinate with them, have been removed. Not all that we would like, but at least some progress has been made.

We asked for a committee on public lines; that is, on public ^{land} line leasing regulations. We got it, and that

committee is going to report to you, I believe, this afternoon.

We asked for a committee on transportation and instead of recommending one committee, your Agenda Committee has recommended five. Frankly, I, personally, feel that we will get almost five times as much information from those five committees as we would have gotten from the single committee for which we asked, because each will be a committee dealing with a specialized phase of the transportation problem; and the factual studies should be that much more complete because they are made by committees concentrating on one phase of the problem.

Now, with that, we run into a question, perhaps, of some divergence of view between me, as I stand here, and the Agenda Committee, as to how far committees appointed by this Council may safely be able to go without transgressing the bounds of danger either of the Attorney General's letter or of the anti-trust laws, themselves.

However, that, it seems to me, is a bridge that we can well cross when we come to it. It may be that when the reports of these five committees, the factual reports of these five committees are in, that they, themselves, will show a necessity for coordination by an over-all committee, created by this Council, or otherwise; and that at that time, we may have -- that is only a "maybe" -- we may have

some request to make of you for going a step farther.

But if that time comes, if that should be the case, then we will do one of two things, as I suggested this morning: Either argue with you as to how far you can well go and resolve it in purely amicable discussion, with all of you always having the last word on what you, yourselves, should do; or, we will try to make some arrangement whereby it is safe for you to go as far as we would like to have you go; and then discuss the situation in the light of that arrangement.

We asked for a committee on international measuring standards, international metering standards of fuels and lubricants for aircraft. Your Agenda Committee has recommended it.

We asked for a committee on statistics and information. Our request was for a committee to advise with us how to get such information, and then to get it. Your Agenda Committee feels that the first part of that request can appropriately be met, and that the second part cannot.

That second part is something that I think is a bridge that we can cross when we get to it. The recommendation of your Agenda Committee gives us what we preliminarily wanted, which is a committee to sit down with us and devise ways and means -- let's say, to sit down with us and arrive first at a much more complete knowledge than we have

now as to what information should be gathered, what information is actually needed, what types, and what completeness, for military reasons, for the civilian branches of the Government, and for the industry itself.

Now, when that has been decided, then, how and where can that information best be assembled and disseminated? And your Agenda Committee has given us, by its recommendation, a committee which will do just that.

Now, if, out of that recommendation, after it has been submitted back to the Council, and we have had a chance to study it, and you have had a chance to study it, it should then appear to us that a part of that information gathering function should be carried on by the Council, then we will come to you and say so, and argue the point then, and again, either try to convert you to any view we may then hold, if you don't see eye-to-eye with us; or again try to make an arrangement whereby you can come along with us.

Meanwhile, you have given us the thing we mainly wanted, which is a committee to sit down with us and study what should be gathered and how to gather it.

Now, that goes to the committee on statistics and information, for which we asked in our first request, and the committee on reserves and availability, for which we asked in our second request; because within the purview

of this committee, that is to be appointed, as we see it, will come the whole question of what types of information we are to gather.

Now, I think we might as well face the fact today, or any other time, that authentic figures on reserves and availability world-wide must be gathered and must be made available. It is just a question of how, and for the moment, I am not, as I said to the Agenda Committee last night, disposed to argue with this statement in here, that the National Petroleum Council is not the proper media.

Maybe as a result of these studies, that will turn out to be exactly right, and if so, we are perfectly content. If, on the other hand, it develops that we want to appeal to the Petroleum Council for direct or indirect help, then we will come back to you and talk to you about it when that time comes.

Now, we asked for a committee to consider special problems as they arise, and that was interpreted -- because we said that we would like to have that committee consider special problems as they arise in the manner in which the National Oil Policy Committee considered such problems during the war, we created the impression that what we were looking for was another National Oil Policy Committee.

We really weren't. We were looking for a special problems committee to handle special problems as they

arise.

Your Agenda Committee has me pretty well convinced that that is not a thing that can be done within the present letters of authority and articles of organization of the Council. If it becomes necessary, we may try to get those modified in order to permit such a continuing committee; but at present, I am inclined to agree with your Agenda Committee that we can foresee these problems long enough in advance to meet them by the creation of special committees through this Council; and that if we can't, we always have the recourse of going out and creating special committees ourselves to meet them as need arises.

We asked for a committee on flare gas, study of flare gas. Your Agenda Committee said, no; and I am not disposed to quarrel with that one, because the Agenda Committee got an impression from our request that we certainly don't want to convey on to the state regulatory bodies, namely, that this would be an entering wedge by which we would attempt to assert, on the part of the Federal Government, the right to control conservation activities within the state.

We thought our request was so carefully worded that it couldn't be interpreted in that way, but the very fact that it conveyed that impression to the Agenda Committee, made us very glad to accept a negative answer, especially as your Agenda Committee did in this, as they did in

virtually every other case, made a constructive suggestion to us as to another way we could go around, go at the task, and accomplish what we had in mind.

In this case, they suggested, and I think it is an excellent suggestion, that the way in which we can be of most assistance to the states -- and that is all we are looking for -- is to be of assistance to the states -- is to go through the Interstate Oil Compact Commission, and not through this Council.

So we are content with that. That leaves just the one, and that is the one committee on military products which, of course, in its nature, is a highly specialized proposal, highly important, of tremendous importance to every one of us, as citizens, and to every one of us in Government, who has any responsibility at all.

This Council is now organized and within its terms of reference, such a committee, a part of whose findings, and even a part of the reference to which must, of necessity, be secret, couldn't be constituted as a committee of this Council.

Bubley

We are inclined to believe that that is a difficulty which can be met within the terms of the anti-trust laws, by special terms of authority from the Department of Justice, and by some modification of your rules of organization to meet a particular case.

However, again, the committee has taken the constructive step, not merely a negative attitude of saying no to something, but a positive attitude of suggesting a way the thing can be done, namely, that by using the facilities of this Council individually, I mean the knowledge of this Council as individuals, not as a Council, we can create exactly the committee that we would have created through the Council.

We can go ahead with that committee, and what we propose to do is to create that committee right now, without any delay, because we have delayed the Army-Navy Petroleum Board altogether too long already, and my apologies to them for it. We are not going to delay any more. We are going to create that committee with their consent and agreement, and then if it seems advisable -- and I am inclined to think it will -- we will try to work out clearances and terms of reference by which it can later be brought within the aegis of this Council and get the benefit that association with this Council will bring.

Now, that is 10 requests. There are only three refusals. Those three refusals, in each case, are accompanied by a

helpful suggestion as to how we can do the job.

Gentlemen, I think we have no cause for complaint. Now, mind you, I am somewhat in the situation of the man who caught his wife being kissed by somebody else. He said he was perfectly satisfied at what she was doing, but he wasn't content by a hell of a lot.

Just

I am satisfied with the action of the agenda committee. I am not entirely content to let it rest there, and I am not, to any extent, committing myself not to come back and argue with you about some of these points from time to time as we come to them. But I do think this, in the spirit of the meetings we had yesterday -- and I couldn't ever ask for anything finer than the spirit of those meetings, the spirit of the meetings we had yesterday -- most of these things we can thrash out by informal consultation in advance, and when we get right down to cases we won't find very much ground for disagreement.

I just want to say one word to Jake Hamon. If you sat at my desk for even the brief period I have, you wouldn't think that we were building bridges for the sake of building them. These things come at us so fast and so hard and so many of them that we are never going to be in the position of having to make work or make problems to bring to this Council. Our job is screening them down, because if we brought to you all the things that hit my desk, this Council would

3 meet three days a month and not one day every three months.

Because no action has been taken on your Agenda Committee's report, I don't think it is right or proper for me to even suggest what your action should be, as to whether you should adopt it or not. Some of the things that have been suggested here I would have liked to have seen go along; some of the things, perhaps, I wouldn't, but I will say this, that, as I said a while ago, although we are not perfectly content with all the conclusions drawn, we have, in what has been given to us, recommended by the Agenda Committee, about all that we can digest until the next meeting.

(Applause.)

MR. HALLANAN: Mr. Hill.

MR. HILL: Mr. Hallanan, I am just so happy that the members of the Council have had this opportunity to confirm through the actions of the Director himself, his very generous summation of our joint labors, and to let you all see with what genuine cooperation and earnest effort to work out the common problem Mr. Ball has come to our deliberations.

I know I speak for each member of the Agenda Committee in expressing to him my profound appreciation and gratitude for this summary of our joint efforts, and you can rest assured that we will always be happy to work with you, in or out of season, in solving these problems, either in the Council or out of the Council, always with the effort to aid you and

ourselves to do our patriotic duty.

MR. HALLANAN: The question is, gentlemen, upon the adoption of the report of the Agenda Committee.

All in favor indicate by saying aye.

(Chorus of ayes.)

Contrary, no.

(No response.)

It is unanimously adopted.

MR. MAJEWSKI: No, because I want to record my vote as voting aye for the entire report and voting non-concurrence with that part of Problem No. 1 on page 3 that begins:

"However, the Agenda Committee is of the opinion that a committee of the National Petroleum Council should not be the medium for securing estimates of reserves and availability."

I vote no on that portion of the report.

MR. HALLANAN: That will be recorded.

MR. MAJEWSKI: And before I sit down, when Mr. Ball talked about kissing wives, I want to remind the Council that there are a hell of a lot of people that never kiss their wives, but will kill a man if he does.

(Laughter)

MR. HALLANAN: I would like to submit, gentlemen, the next order of business for the Council's consideration, the reports of special committees which were previously authorized.

There are three reports, each of which has been sent

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to you some time ago.

The first report was made by the committee on pressure tank cars for the transportation of liquified petroleum gases, Mr. Charles R. Musgrave, Chairman. Unfortunately, Mr. Musgrave cannot be here today to present the report, but I do want to call upon Mr. Warren who is a member of that committee.

Mr. Warren.

MR. HILL: He is not here.

MR. HALLANAN: Gentlemen, you have had this report before you. What is your pleasure?

MR. MAJEWSKI: I move its acceptance.

MR. HALLANAN: Is there a second?

(The motion was duly seconded.)

MR. HALLANAN: Mr. Skelly, you received a copy of it some time ago. The report is quite voluminous. Do you desire to have it read?

MR. SKELLY: I guess not, but if you will permit me to, I would like to ask Mr. Ball, if I may, to amplify his statement there on this 500-car situation.

The thing I am interested in is: Are we going to hold 500 cars that the Government is going to take away from us, or are we getting 500 additional cars?

MR. BALL: I regret to say it is the former.

MR. SKELLY: That is the reason I asked.

MR. BALL: I didn't mean to convey a wrong impression.

I think that either Mr. Friedman or Mr. Connell can answer that question more clearly than I have. Mr. Friedman is right behind you.

MR. FRIEDMAN: I think it means both, sir. There were 370 cars that were owned by the Government, which the War Department was going to take for its fertilizer program, but which it did not take as the result of the work of this committee.

While the committee was here we met with the War Department, representatives of the Civilian Production Administration, and several other agencies, and I think the effect of this committee was such that the plan for transferring the 370 cars directly into the fertilizer program was abandoned.

As the result of further work of the committee and work we have been able to do with other agencies, we are getting for the industry approximately 100 to 125 cars from Rubber Reserve for delivery this month, for the transportation of propane and butane.

Further than that, we are getting 78 new propane cars this month, which is, again, thanks to the work of the committee and the convincing showing made. Other than that, they would have gone into the Army's emergency fertilizer program.

So that out of the 500, most of them, it is true, were not taken away as planned, and there was a net gain to LPG transportation of some 370 cars that very probably the industry

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would not have gotten.

MR. SKELLY: That was a good explanation, but I would like to make a further inquiry.

MR. HALLANAN: Yes, sir.

MR. SKELLY: I would like to make this inquiry of you and Mr. Ball and Mr. Friedman.

Are those cars that are going to be put back into service or additional cars which are going to be put in service, going to be equitably distributed among the suppliers?

MR. BALL: I think Mr. Friedman can answer that.

MR. SKELLY: That is a tough question.

MR. BALL: That is a thing that is in the province of the Office of Defense Transportation. I think Mr. Friedman can answer that.

MR. FRIEDMAN: I think they will be equitably distributed. There were a few cars, as you will recall, taken at the beginning of the program, 45 to be exact. They were taken before the committee met, before we got into the program at all. Those 45 cars, as I understand it, which were taken, I believe, from the Phillips Petroleum Company and from the Warren Petroleum Company, will be restored.

The rest of the cars that are being made available will be distributed equitably, as I understand it, among companies on the basis of information as to how that distribution is to be made when it gets into the office of the Office of

Defense Transportation.

MR. HILL: Question.

MR. HALLANAN: The question is upon the adoption of Mr. Majewski's motion that the report be received and filed. All in favor of the motion indicate by saying aye.

(Chorus of ayes.)

Contrary, no.

(No response.)

So ordered.

The next special committee report is that of the committee on materials requirements by the oil and gas industry, Mr. Claude Parsons, Chairman.

Now, that report was made and sent to the members of the committee, and Mr. Parsons is here today to bring us up to date on events that have transpired since the filing of the original report.

Mr. Parsons.

MR. PARSONS: Mr. Chairman, that revised report has been in the hands of this Council. I am wondering if they had copies.

MR. HALLANAN: The revised report reached us too late to get it into the hands of the members, Mr. Parsons. Will you go over it at this time.

MR. PARSONS: Mr. Hallanan, I have picked up a cold and I wonder if I could impose on the Secretary to read the

9 revised report. I will be glad to answer questions.

MR. RUSSELL B. BROWN: I think I know pretty well how you have revised this, Clause. If you will correct me and suggest to me and prompt me and keep me on the road, I will follow it through.

The letter submitted January 11 reads as follows:

"The enclosed report of the Special Committee on Materials is a revision of the original report of November 11, 1946, showing changes in the materials situation as of January 11, 1947. Conditions or shortages which have been eliminated or considerably remedied during the intervening two months are shown by a line struck through those portions of the original report applying thereto. New additions to the report are underlined.

"Serious shortages have disappeared in some items due to the suspension of Government price controls (OPA), and some have eased due to the partial lifting of Government priorities and directives, but the main causes of shortages in many important items continue to be strikes, stoppages, and slowdowns. The outlook is uncertain, due to continuing demands already declared by labor in the coal, steel, electrical and automobile industries in connection with forthcoming renewals of contracts.

"With regard to the two items about which the Council received some correspondence which was referred to the

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Committee: Dynamite - began easing after price controls were suspended and operators advise that they are now managing to get along with the supply; Containers should improve, due to the recent amendment to Order M-81, whereby the container market was reopened to competitive buying, which includes petroleum. Dynamite has been taken off the Committee's list of shortages but the supply of mill products is still far short of demand.

"With action initiated by the Oil and Gas Division of the Interior Department, and supported by the Petroleum Division of the State Department and by the Army and Navy Petroleum Board, the excessive export controls mentioned in the report have just been eliminated by CPA and OIT on all important items for petroleum operations, with the exception of tin plate. Facts have been presented relative to tin plate and some action is expected soon.

"Shortages of certain chemicals for vital refinery operations show no signs of improvement and thereby continue to be very serious."

If you will turn to the report, you will notice that the original report that was sent to you has been copied and there has been x'd out a line through the words which indicate a change in that situation. In other words, where they have found a situation that caused a statement to be made in there has been corrected, they have run a line through that report,

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and in some instances they have added some explanatory words.

If you will turn to page 2, you will notice the first one on oil well casing. Originally they reported to you:

"Strikes in the coal and steel industries," and they continued, "shutdowns of pipe mills in the Pittsburgh area due to strikes in the electric power utilities."

That has been corrected, so they have stricken that out.

Then, in the next one, line pipe, they have:

"Same as above, plus the following."

Then they have added some ideas there, and that part of it has been corrected.

With that explanation, the report is before you. Do you want it all read?

MR. HALLANAN: There is another letter accompanying this.

MR. RUSSELL B. BROWN: Yes. On January 18, the Committee addressed Mr. Hallanan as follows:

"In my letter of January 11th accompanying the revised report of the Materials Committee, I mentioned that excessive export controls had been relieved on all important items for petroleum operations abroad except tinplate; also that some further action was expected on tinplate. This letter is to advise that the action on tinplate was expected from a Government meeting held on January 13th but nothing favorable came therefrom.

"Due to the importance of tinplate to petroleum operations

12 abroad, the Subcommittee for Materials for Foreign Operations of the Petroleum Industry held a meeting in New York on January 14th to consider the tinplate matter and to review its report of November 11, 1946. Mr. George W. Young, Chairman, reports that tinplate is of vital importance to foreign operations and relief should be granted immediately.

"The reasons for the need of immediate relief on tinplate for the manufacture of containers used by American oil companies who refine or distribute petroleum products abroad are: tinplate is vital to the successful distribution of petroleum products abroad; American tinplate has been withheld by our Government from American oil companies; the British government has shipped tinplate to British oil companies for the manufacture of containers for the distribution of their petroleum products in the foreign markets, while our Government has allocated American tinplate to the British for the packaging of food for the U.K.

"This situation has placed the American companies in a very unfavorable post-war competitive position in foreign markets which they had built up over many years, and should be corrected immediately."

There is a postscript to the letter:

"The Subcommittee also reviewed and reaffirmed its report of November 11th, copy attached."

MR. MAJEWSKI: May I ask a question?

13 MR. RUSSELL B. BROWN: If you will ask a question, I will ask Claude to answer it.

MR. MAJEWSKI: I was going to ask it of Mr. Parsons or someone who could answer it.

This tinplate matter doesn't only affect the foreign operations. It is true that the Government has withheld it from domestic oil companies, the tinplate, and materials for making cans for the distribution of oil. Just recently the Government has released tinplate for the manufacture of 6 million one-pound coffee cans in Kansas City to the American Can Company, and the coffee companies don't want the cans; they are made up but they don't want them because they are committed to glass. But the can company wants to convert them from glass to tin, so the hell with the oil companies.

Those could be used for a lot of small people out there for the distribution of oil, and it seems to me the most active problem before this Council is to look after the interests of a lot of small oil companies domestically first, and get them sufficient cans so they can compete in this market for the lubricating oil business of the country.

Then the solicitude about the foreign business can go next, because I would just as soon deliver it to the Russians in milk bottles or some other damn thing. It is not an unfriendly gesture towards the Russians, but I dislike them.

(Laughter)

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Seriously, Mr. Parsons, what is the opportunity of the Government taking some definite action on solving the domestic problems on cans for the petroleum business?

MR. PARSONS: In the first place, the committee is in unanimous agreement on not asking for any priorities. Every man is against asking for priorities and wants decontrol. In the meantime, it might be a little inconvenient, but the fact they amended M-81 shows that they are beginning to relax controls, and you can now have at least the opportunity to buy American containers, which you didn't have before the amendment to M-81.

If the Council wants to change the feeling to one of asking for priorities, the committee, of course, will be glad to acquiesce, but I want to put on the record that the committee is unanimous against government priorities of any kind. They would rather help the fight and get rid of them.

MR. HALLANAN: Gentlemen, I want to take this opportunity to commend Mr. Parsons and his committee for the very thorough job that they have done on the assignment which they undertook. I know Mr. Parsons has spent weeks and weeks in this matter and has given very earnest attention to it, and he has made a fine report.

While Mr. Ball is here with us, I want, before we dispose of this, to have the advice of the Council about the matter of publicity for any of these reports. They have all been

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held in confidence pending their being given to you today. Now, when they come before this Council and have its approval, I wonder what our procedure should be, as to whether or not they should be given out as a public report, or whether it is the intention that they should be kept confidential.

That has not been explored in any way, and I think while we are considering these committee reports that we ought to have some free discussion on that point.

MR. MAJEWSKI: Mr. Chairman, are you asking a question of Mr. Ball?

MR. HALLANAN: I wanted Mr. Ball here, and I also wanted to get his comment about what our policy should be.

MR. BALL: I confess, Mr. Chairman, I am so new on this job that that gets into a field to which I have had no chance to give any thought, and I would far rather hear Mr. Ide and Mr. Friedman, from the standpoint of the Oil and Gas Division, than /express an offhand opinion on a matter about which I have had no opportunity to think.

MR. ROESER: Mr. Chairman, I think you ought to have an expression of the Council members. As one member of this Council, I am dead set on these reports, after being adopted by the Council, being given to the public. This information belongs to the industry as a whole. There is nothing secret about it.

I think they should be released immediately after approval

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by the Council, subject to whatever criticisms anybody might want to make.

Speaking for the industry, I feel that the industry is entitled to these reports.

Now, in relation to the report of Mr. Parsons, this is a rather optimistic view on tubular goods, but in my operation I find they are tighter now than they were 60 days ago.

MR. HALLANAN: I would like to hear from members of the Council.

MR. HAMON: I wanted to ask one question on this tubular goods.

We are faced with transporting casing. I mean, you haul casing from Mississippi to Oklahoma, and just recently, in order to help out a producer in West Texas, he sent his trucks up to Oklahoma to get a string of pipe we had, after searching all around. You know who I am speaking of. He couldn't get pipe for a well.

There isn't any two-inch available anywhere in the industry, and the mill has advised us on our orders that it will take 30 days on shipment.

I am like Mr. Roeser. I wonder whether this material report touches too lightly on the seriousness of the situation. You fellows in the big companies are all affected as much as we independents. Your purchasing agents are doing a magnificent job, but it is costing you around 10 or 15 cents

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a foot in trucking charges that none of you know about, and it is a tragic situation.

Our cost of producing oil and drilling is very depressing, and I feel that the mills are taking advantage of us in a good many instances. They are taking advantage of us on their basing point of shipment, and I guess I don't blame them. There is nothing I can do about it. They are in the driver's seat.

But certainly I don't see any immediate improvements, and if we do have the steel strike, why we are going to suffer seriously in oil production.

MR. PARSONS: The answer is this, that the first thing is to determine whether the mills are producing at capacity. In October we made an investigation and the mills are producing at 95 per cent of capacity. We also decided that if the mills could continue at 95 per cent, so far as the mills are concerned, these shortages would disappear within a few months.

Now then, that applies mainly to oil country tubular goods. Your line pipe -- are you speaking of two-inch line pipe or two-inch tubing?

MR. HAMON: Two-inch line pipe.

MR. PARSONS: Two-inch line pipe is thrown into the mill of the housing program and everything else, UNRRA, and many uses other than petroleum.

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Since the original report was made, a lot of those issues have cleared up. For instance, UNRRA is no longer purchasing industrial materials. That relieves the situation. You can't see it yet, but it is there.

The Treasury Department, we are told by the Director of Treasury Procurement, are not issuing directives. That should relieve the situation.

Then, the week before last, the CC priority ban of the CPA was supposed to be eliminated. I still would like to see it officially, but if that is true, then that will ease the demand for the line pipe for uses other than petroleum.

So the committee feels that by asking the Government, in this report, to eliminate priorities, eliminate UNRRA purchasing and sending abroad, that is the first request.

The next point is capacity to produce. If they are producing at capacity and we have a free crack at the buying of those items, within a few months, if there are no interruptions due to the coal strike or steel strike, that difficulty should disappear. That is the viewpoint of the Committee.

Is that satisfactory?

MR. RUSSELL BL BROWN: Claude, did you explore, in preparing this report, the effect of the fact that foreign operations in steel plants are considerably reduced as compared with pre-war, and that we are shipping a far greater

amount of these materials to the foreign countries than we have previously? Isn't that true?

MR. PARSONS: Yes, but that should be reduced for the reasons mentioned, relating to UNRRA and Treasury Procurement. The effect of that should begin to be felt within another three months. The orders placed several months ago are still on the mills, but there are no new orders being placed.

MR. HALLANAN: Are there any other questions that any member would like to ask?

MR. MAJEWSKI: I would like to ask one small point on this tin can business. I am sorry that we had a recommendation which resulted in the cancelation of M-81. I think it was a mistake because it hurt a lot of little people. It was too precipitate and too premature.

Throughout the country we find millions of cans in the hands of the large distributors and not in the hands of little fellows, and I think that is one of the things we ought to watch carefully. I know this committee can't distribute them equitably, but this committee's recommending the release of controls on things as important as tinplate will be subject to criticism.

I am willing to accept Mr. Parsons' recommendation for 90 days if there be no priorities asked, but I will be back in here if we don't get cans. In 90 days I will be back in here on your back, Mr. Hallanan, on behalf of other people

and myself.

MR. HALLANAN: And Mr. Parsons.

MR. WILSON: Mr. Chairman.

MR. HALLANAN: Dr. Wilson.

MR. WILSON: On page 4 of the report they have "Causes of Shortages" and they have stricken out most of them. One of them is tallow.

MR. PARSONS: That is an error. Strike out "Tallow", please.

MR. SKELLY: While Mr. Ball is here, and Mr. Friedman, I would like to get back to this gas business again. There has been a business built up over 10 or 15 years that involves hundreds of thousands of customers using this gas for domestic purposes, and there are thousands of customers using this gas for industrial purposes. I am speaking from first-hand information because we are in the liquified gas business in a sizable manner.

We had enough cars to handle our business, but we lost cars that went into the fertilizer business, to ship fertilizer to Japan.

(Laughter)

It isn't anything to laugh about. If you sat at a desk and had people call you up day after day by the dozens and tell you they were absolutely out of gas, it wouldn't be funny.

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Then, when you publicize these reports, I think it would be embarrassing -- and I am in favor of publicity -- to the Government and the agencies that have to do with that, and to the oil industry, too. You can't leave people out of gas when they have depended on it, and have the cars that transported the gas reverted to the fertilizer business to help out Japan or any other country.

I think that we are first interested in taking care of our own domestic consumption and our industrial consumption, and I think there ought to be something done about it now.

I read in this letter -- and I am very much exercised about it because it has been a serious thing with us -- I read in this letter of December 4 that there will still be a severe shortage in April for high pressure cars.

MR. HALLANAN: Well, you are dealing with the report of the tank car committee now, Mr. Skelly?

MR. SKELLY: That's right. Here is one signed by John R. Steelman. Well, that is a good name, but we don't like to have these cars stolen from us, and I think that is about what happened, and used in service to supply Japan with fertilizer.

Now, I think we are in line for the first dispensation of anything that comes along, especially when companies have enough of their cars to take care of their business and forecast their business ahead, and then have these cars taken

away.

I think it is a flimsy excuse and one that would be mighty embarrassing if publicized and the true facts told, and I am in favor of publicizing all these reports that are passed by this Council.

MR. HALLANAN: The question before us is the adoption of the report of the Persons Committee. Are you ready for the question?

MR. HILL: Question.

MR. HALLANAN: All in favor indicate by saying aye.

(Chorus of ayes.)

Contrary, no.

(No response.)

So ordered.

I want to now call on Mr. Ball to indicate the attitude of the Oil and Gas Division with respect to the publicity of these reports.

MR. BALL: Having had an opportunity to confer with the two advisors on whom I lean so heavily in these matters, the position of the Oil and Gas Division is this, with regard to publishing of reports to the Council.

They are reports to the Council; they are the Council's reports. The Council is entirely free to decide whether those reports should be published or whether they should not. So far as the Oil and Gas Division is concerned, we hope you

will publish them.

There may be made, from time to time, reports of a special nature that you as a Council will want to withhold from publication, but that is your responsibility and your privilege.

However, aside from such reports, it is entirely in your discretion. We hope you will decide to make your reports public.

MR. LOVEJOY: Mr. Chairman, I would like to make an announcement.

I inadvertently underestimated the time required for this session today and called a meeting of the Public Relations Committee of the API at 4:00 o'clock this afternoon.

Have you any idea how much more you have on your program for this afternoon?

MR. HALLANAN: Well, our agenda is short, but I do not know as to the length of the discussion.

MR. LOVEJOY: Well, we have this room. Most of the members of the committee and those invited to attend who are not members of the committee are here in this room. There are a number of people over at the Statler waiting for us, but they can continue to wait, and I would suggest, unless this runs too long, that we meet a half hour after this session.

MR. HALLANAN: My own feeling is, Mr. Lovejoy, that

we should be able to finish by 5:00 o'clock.

MR. WILSON: How long will your presentation require?

MR. LOVEJOY: I would say an hour and a half.

MR. W. ALTON JONES: Why don't you hold it tomorrow?

MR. LOVEJOY: There is an API board meeting. We have the room reserved for this evening, and if this meeting continues, we can hold our meeting at 8:00 o'clock or 8:30 this evening, so I suggest that you go ahead with your meeting and we'll see when we adjourn.

MR. HALLANAN: Mr. Jones, do you have any announcement to make? Our Agenda Committee report has been adopted, and that passes along to you the matter --

MR. W. ALTON JONES: -- the matter of the appointment of eight committees instead of four, and it is going to be an extensive task to get those committees in shape, and I am afraid we are not going to be able to do it today.

MR. HALLANAN: Do you have any time?

MR. W. ALTON JONES: I would like to fit it in with John's plans. If he is not going to use any of tomorrow, I am going to suggest we hold this meeting following the Board of Directors of API's meeting tomorrow afternoon.

MR. HALLANAN: Will all the members of your committee be there?

MR. W. ALTON JONES: I think substantially all will be there.

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MR. HALLANAN: The next order of business will be the report of the committee named by the Council with respect to regulations applicable to the Federal Mineral Leasing Act as amended by the Act of August 8, 1946.

Unfortunately, no member of that committee is present at this meeting. Mr. Ferguson, the chairman, is unable to be here.

This report, gentlemen, was mailed to you under date of January 6, the complete report. It is a voluminous report and one that is quite technical. In connection with it, I would like very much, Mr. Friedman, if you would give the Council the benefit of the observations you have made to me with respect to the value of this report, although it was received after the regulations were promulgated.

MR. FRIEDMAN: Well, I feel that we got just about as much good out of the contact we had with the committee. The committee met in Washington for two days. They prepared the report while they were here. We did not get a formal copy, but we did get all of the basic data that went into it at the time the committee got it.

We did not refer to the committee in any of our letters to other agencies or in any of our consultations with other agencies, but as a result of knowing what the facts were, we were able to be rather positive in our decision as to what would happen if further cars were taken from the industry and

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if additional cars were not made available.

We were not entirely successful because this fertilizer program is being pressed on very high levels. The Secretary of War and the Secretary of State, with presidential approval, have decided that is a must program. They have been advised by General MacArthur that if they don't get fertilizer in Japan, they will have to have an occupation army of several times the size, because there will be mass starvation and rioting and all the rest of the things that follow that sort of situation.

Now, even with a program of that nature, we were able to show that the situation here at home would be fairly serious also if the fertilizer program went ahead in full fling, and we were able to stop further transfers of cars and to obtain some new cars for LPG.

Now, if we had had a report from the committee it would have been helpful. However, it was not essential, and we did get the basic data we needed for our own purposes here in Washington.

MR. HALLANAN: Thank you, Mr. Friedman.

Gentlemen, this report is before you. What is your desire?

MR. WILSON: Do I understand that the permanent things have been published and this criticizes something that is in effect?

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MR. HALLANAN: They were before the committee made its report, but as Mr. Friedman has indicated, this report is very helpful in charting a course for the department to follow in any amendments that may be considered.

Do you have any comments to make about it, Mr. Ball?

MR. BALL: No, Mr. Friedman, I think, has covered it.

MR. W. ALTON JONES: I take it Mr. Friedman is talking about the LPG matter.

MR. HALLANAN: I asked Mr. Friedman to comment, really, on the report on the Leasing Act.

MR. FRIEDMAN: I misunderstood; I am very sorry, Mr. Chairman. But there again the report is a matter of pretty grave importance, I believe.

The Department, because of commitments it had made at the public hearings in Denver to the industry, to get the regulations out by a certain date, felt that it had to issue the regulations. However, the Department made it very clear to us -- and we passed that on to the committee -- that when the report was received it would be given careful and full consideration, and of course the Department has full authority to amend the regulations in any respect it may consider desirable, so the report is not at all a vain thing. It is a report that will be considered just as seriously now as it would have been had it been received before the issuance of the regulation.

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MR. BALL: Mr. Wolfson, the Assistant Commissioner of the Bureau of Land Management was with us earlier, but I guess he is not here now. He could have given us a comment if he were here.

MR. RUSSELL B. BROWN: Mr. Friedman, what would you say as to the hope of progress? In some of these they ignored the industry's position almost entirely, and I am going to be asked that question a lot during the next few days and I was wondering if there is any hope.

Are you pressing this matter with them at all in line with the report?

MR. FRIEDMAN: We have told them a report is forthcoming and as soon as we have received it from the Council we would like to get together with them and see what can be done.

MR. RUSSELL B. BROWN: I urge you to let them know the industry is greatly concerned.

MR. WILSON: I move approval of the report.

MR. MAJEWSKI: Second.

MR. W. ALTON JONES: The question now before you, Mr. Chairman, is whether there are any modifications.

MR. HALLANAN: The question is upon the adoption of the report as submitted by the subcommittee.

All in favor indicate by saying aye.

(Chorus of ayes.)

Contrary, no.

(No response.)

So ordered.

Mr. Friedman, I do have some comments dealing with this report which I want to pass along to you and to Mr. Ball also.

Mr. Ball and I discussed several matters coming before other governmental agencies which we thought would be of interest to the members of the Council, and he has invited here certain representatives of those agencies to talk briefly to us about those subjects.

Mr. Majewski, do you want recognition?

MR. MAJEWSKI: If you are going to hear these reports, are you going to continue with business before the committee, the Council? I have some matters of business I would like to dispose of whenever you are ready.

MR. HALLANAN: This is the next order of business, but you are privileged to interrupt the order of business.

MR. MAJEWSKI: You know I never do that, but I will take the floor if you want to give it to me.

MR. HALLANAN: I will ask Mr. Ball to introduce the representatives.

MR. BALL: As I told you this morning, I conceive it to be the function of the Oil and Gas Division not only to keep this Council in touch with the things that it is doing, but to keep this Council in touch, so far as it may be done, with constructive activities of other government agencies that will

be of interest to it.

And so, with Mr. Hallanan's consent, I have asked three people here this afternoon to report briefly to the Council on matters that I think would interest the Council.

Now, one of the things that everybody is interested in these days is the continental shelf, and I am asking Mr. T. A. Hendricks of the Geological Survey to give you briefly the plans of the Geological Survey with respect to geological exploration of the shelf.

Mr. Hendricks.

MR. HENDRICKS: The Geological Survey has spent considerable time and effort in consideration of the possibility of undertaking a program of investigation of the geology of the continental shelf. A plan was evolved for a 15-year study to include systematic reconnaissance coverage of the continental shelf off the United States and Alaska by standard geophysical methods, more detailed bottom sampling, coring and oceanographic work, and sub-surface studies of the near coastal land areas. The objective of this program was to provide regional structural, stratigraphic and ocean bottom data to serve as a basis for more detailed work necessary for any type of economic exploitation, and to provide basic scientific data on shallow water areas.

The geophysical methods that were to be used were: the airborne magnetometer; the underwater gravimeter; and seismic

31 profiling. It was planned that this work would be done, in major part, by established geophysical contracting companies. Contract work appears desirable because it eliminates the necessity of building up a large scientific staff and collection of expensive specialized equipment for a job of specific duration.

I might say a job of such duration which ends with a large scientific staff and an abundance of specialized equipment means that they will start looking for something that is almost along the same line to do, to perpetuate themselves, and we do not want to be in that position.

Also, the experience of the geophysical companies would permit them to produce results immediately that could only be hoped for after several years, if our own staff were used. However, an adequate staff would be necessary for planning, supervising and preparing results for rapid publication.

I know of no doubt, either on the part of interested government agencies or commercial concerns, as to the soundness of the plans for the program or of the desirability of doing the work. However, the program is a new one and is relatively costly due to the expense of marine operations. These features are particularly unfortunate at this time, when the attempt to arrive at a balanced Federal budget requires drastic curtailment of existing programs, many of which are of great intrinsic value.

At present, through the active interest and proferred material assistance from the Office of Naval Research, some studies can be undertaken and action is under way to start the work. The scope of this work is such that it will permit the investigation of only limited areas. However, it should serve to demonstrate the practicability of techniques and instruments and to yield significant data on the practical value of the results.

An area of some 7,000 to 8,000 square miles in the Gulf of Mexico has already been surveyed experimentally by the Geological Survey using the airborne magnetometer. With a Navy survey vessel that has been made available on a part time basis and funds supplied by the Office of Naval Research, together with limited funds from the regular appropriation of the Geological Survey for the current fiscal year, it is planned to conduct a regional gravity survey of this same area and to follow that survey with a bottom sampling, coring and oceanographic survey, together with the appropriate laboratory studies of the samples and cores.

This work should yield results that will constitute a representative sample of what a comprehensive program might yield for the entire continental shelf. Naturally, it is realized that such a sample project cannot be expected to reveal regional relationships that may be of the utmost importance.

The purely scientific data resulting from such studies are likely to be of greatest value to the Navy because of their bearing on problems of marine warfare, and the Navy is already actively supporting the program and can be expected to continue to do so to the limit of its ability. The principal economic results are, at present, clearly concerned with the petroleum industry.

Now, that is the status of both the plans and the preparations for work on the continental shelf in so far as the Geological Survey is concerned.

I want to emphasize a point, that the studies that we would conduct would definitely be of a reconnaissance nature and would not in any way be intended to duplicate or to be competitive with the type of detail work that would be necessary in actual exploration or development operations offshore.

Thank you.

(Applause.)

MR. HALLANAN: Are there any questions that anyone would like to ask?

MR. JACOBSEN: I take it you are only dealing with the geological phase of it, you won't be going into the engineering difficulties of drilling wells under a considerable depth of water.

MR. HENDRICKS: At present we will not. However, the plan as drawn up would provide for a transfer of funds to

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the Bureau of Mines for conducting that part of the investigation, engineering problems and drilling practices and so on, as encountered in under-water operations.

For the large scale program that would be included, but would be done by the Bureau of Mines.

MR. JACOBSEN: That would come later on.

MR. HENDRICKS: Yes.

MR. NOLAN: How far offshore is this geological survey contemplated to be?

MR. HENDRICKS: You mean the immediate one or the overall plan for the large program?

MR. NOLAN: The whole program.

MR. HENDRICKS: To a depth of 100 fathoms, which in the Gulf of Mexico would be an average of 80 miles, and a maximum of 120 miles offshore. On the Atlantic it would average some 49 to 50 miles, and off Alaska it would be a terrific area.

MR. MARSHALL: I gather you have done some work. Can you give us any indication of what that discloses?

MR. HENDRICKS: The only work so far is airborne magnetometer work in an area in the Gulf of Mexico. That was done experimentally. The results have not been computed as yet because the man who did that job is now on the South Polar Expedition and is finishing up the computations, I hope, while he is on that expedition.

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MR. BALL: Another type of work that interests everybody these days is synthetics. As you know, the Bureau of Mines is operating an extensive liquid fuels program which is under the direction of Dr. A. C. Fieldner, and I have asked Dr. Fieldner if he would come and report to you briefly on it this afternoon.

Dr. Fieldner.

DR. FIELDNER: Mr. Chairman and gentlemen, don't be alarmed. I am not going to read this report. I just merely want to state that this is the report of the Secretary of the Interior on this synthetic work under the Synthetic Liquid Fuels Act for the fiscal year which ended on December 31, 1946.

As you know, Congress passed an act known as the Synthetic Liquid Fuels Act in 1944, which authorized the Secretary of the Interior, acting through the Bureau of Mines, to conduct research, construct and operate pilot plants, and demonstration plants, for the production of synthetic liquid fuels from coal, lignite, oil shale, agricultural and forestry materials.

This Act placed a limitation of 30 million dollars as a ceiling and a five-year time limit. The appropriations for it were started with the fiscal year ending June 30, 1945.

Immediately after that, the plan was organized for carrying on this work in several phases: first, the

establishment of a research and development laboratory at the Bureau of Mines, Pittsburgh Experiment Station, for the research and development work on oil from coal; secondly, the establishment of similar research and development laboratories at the Bureau of Mines Petroleum Experiment Station at Laramie, Wyoming, for research and development work on oil shale; and then, working with that, an oil shale demonstration plant to be built at Rifle, Colorado, in the oil shale regions.

The research and development laboratories at Pittsburgh were to be supplemented subsequently with a demonstration plant of, I'll say, something like 200 barrels a day capacity at Louisiana, Missouri.

Louisiana, Missouri was selected for this site because it had one of the synthetic ammonia plants built by the Government and operated during the war, and it was thought at that time that this plant, of course, would be surplus property. It was not really desired by any company for making synthetic ammonia, and it was turned over to the Bureau of Mines for utilization as a site for this demonstration plant, and that would save a good deal of money because there would be no expenditures required for site, utilities, machine shops, laboratories, and for the production of hydrogen and for the purification of hydrogen and for putting the hydrogen under pressure. There was equipment there for

pressures up to 15,000 pounds per square inch, which is about the upper limit of the hydrogenization process.

Later on, to supplement the work at Pittsburgh, laboratories were obtained at the University of West Virginia, at Morgantown, for work on the synthesis of gas.

It was very desirable to get laboratory space and start work immediately because time was necessary to construct the buildings at Brewston, which is near Pittsburgh, where the Bureau of Mines experimental coal mine is located. Time was required for the construction of these buildings, so we used all of the available space at our Pittsburgh station for the beginning of immediate laboratory research on the underlying chemistry of these processes involved in making synthetic gas, both by the hydrogenization process and by the gasoline synthesis process.

The Pittsburgh laboratories, plus the Morgantown laboratories' work is now in progress on the production of synthesis gas from coal.

The Pittsburgh laboratories originally made, on a small scale, assays of American coal, as to its suitability for hydrogenization. Some of that work has been published.

Our coals vary a great deal. Some of them respond best to one type of treatment, and some to another type of treatment. For hydrogenization and liquefaction, the coal must be a high-volatile bituminous coal or sub-bituminous coal or

lignite. Anthracite is not satisfactory for liquefaction and there is a difference even in these types of coal that has been and is being studied further.

Similarly, in making synthesis gas for the modified Fischer-Tropsch process, there likewise is a difference in the methods for treating the coal to make the synthesis gas, which depends on whether the coal is a coking coal and whether one can make coke or whether one starts with sub-bituminous coal or lignitic coal which have no coking properties.

Half of our coal reserves in tonnage in the United States are sub-bituminous and lignitic coals which do not stand transportation or storage because of their weathering properties, but occur in very thick seams, much of it suitable for strip mining and cheap mining. The only thing against them is that they are far from our centers of population. They are largely in North Dakota, Montana, Wyoming, and Colorado.

Now, as to our present stage of work, the research and development laboratories at Pittsburgh are pretty well staffed. We have about 150 chemists, engineers, and physicists and their assistants on the staff there, and their research work is under a full head of steam.

The pilot plant laboratories are nearing completion. One of the buildings is almost completed, and in a month or two they will be moving to these buildings.

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The laboratories at Laramie are practically completed and the work there, the research work, has been in active progress in temporary quarters.

The oil shale plant at Rifle will have the first trial unit ready for operation certainly by the first of May, but will probably try for, say, the first of April, and we have built an oil shale mine there of considerable size, in which the mining of oil shale is being studied intensively, because the greatest money can be saved with respect to oil shale in very cheap mining methods.

The work on the demonstration plant at Louisiana, Missouri, was interrupted because of the necessity of taking the plant back for making synthetic ammonia, but we are now assured that they will give us at least one production line of this plant by January 1, 1948, so we are about in the middle of this program at the present time.

I neglected to mention that in 1945 about eight men of our staff, with some 20 people from the petroleum industry, were very active in studying European synthetic oil production, and a great deal of valuable information was obtained from Europe.

The Bureau's staff operated in the analysis and testing of catalysts and materials obtained, and in spreading this information and making it available to the entire oil industry.

Also, the Bureau of Mines has not done any work on

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making synthetic gasoline from natural gas, because that is already well in hand by industry, and was when our work was started.

As you know, plants are being built for making gasoline from natural gas by the Fischer-Tropsch process, and of course that will be cheaper than making it from coal, but the process, after the synthesis gas is made, is identical, whether the raw material is a natural gas or whether it is coal, and coal will be the next step following the use of natural gas.

At the present time it is more expensive, but the difference probably will not be so great as further developments are made, and of course some of the industry laboratories are very active in this work and considerable improvements have been made over the German technique.

(Applause.)

MR. HALLANAN: Are there any questions which any member of the committee would like to ask?

MR. WILSON: Mr. Chairman.

MR. HALLANAN: Mr. Wilson.

MR. WILSON: As you know, I have been quite sympathetic with the research of the Bureau, somewhat more so, possibly, than some of the other members of the industry, and I have talked several times with Mr. Fieldner about it and find we see eye to eye as to the program.

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I am nevertheless concerned about the continued statement in the public press that now we are about to begin demonstration plants. I do want to emphasize I don't think there is anything that would discourage the research work more or give less value for the money expended than to go ahead at this time to make demonstration plants on making petroleum from coal, because we know it isn't competitive with good research work. You can calculate within a narrow margin of how the costs would compare. Maybe you can't be sure whether it would cost four and a half or five and a half cents more to make it from coal, but what does it matter?

The thing to do is to put our money into research and development and wait until some of the bugs are worked out of commercial operations on natural gas so far as the synthesis is concerned, and not tie up large sums of money in demonstration plants which are going to be obsolete before they are completed.

I think there is some political demand for things of that kind, but I do think it is very premature to get into large-scale operations which it costs so much to conduct. It takes armies of scientists to work on it, tons of coal to feed it, and then you have a lot of products you have to refine or waste, whereas when you work along in research you can try all sorts of new ideas, and as I say, you will be making the demonstration plants before they are finished.

DR. FIELDNER: Well, Dr. Wilson speaks after my own heart, because we would like to have several years of very active research in research and development laboratories such as are organized at Pittsburgh.

A pretty good job has been done. The mine has been gotten together, and it is only now that the laboratory equipment is arriving and the buildings are not quite completed yet for these laboratories at our experimental mine station. We expect that there will be invested there, all together, in these buildings and in the equipment, something like 2½ million dollars, which used to sound awfully big to me for research 20 years ago, but today isn't so big.

I have, personally, a feeling that we should work also on the more fundamental side of this work, rather broadly, in studying, as we are now studying the mechanism of this catalyst operation, the Fischer-Tropsch process, and there is quite a lot of work to be done on that mechanism.

I feel that we ought to emphasize the fundamental research side chemically and physically.

We are doing the same thing in oil shale at Laramie, studying the constitution of the shales, and their action with solvents under pressure in disintegrating the shale, and things of that sort. We do expect to put up pilot plants at Brewster.

MR. WILSON: That is necessary.

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DR. FIELDNER: With a capacity of maybe as high as five. There is a big problem. I think the biggest part of the Fischer-Tropsch problem today is the making of synthesis gas from non-propyl coal, that is, without going through the water process and making coke.

The Germans had three or four kinds of plants for doing this with brown coal, which is non-coky. None of them were entirely satisfactory. I believe that our engineers in this country are going to improve greatly on that process. There is a big need for research there, and I believe that is by far the most important part of the work.

MR. HALLANAN: Are there any other questions?

(No response.)

We appreciate very much, Doctor, your discussion of this matter.

MR. BALL: I think we all agree very heartily with Bob Wilson and Dr. Fieldner, that nothing can do more harm to a research program than its premature crystalization into larger plants of a certain type, because that immediately slows down your researching in other lines and narrows your field.

We have one more report, just a brief one, and that is on the operation of the Big-Inch and Little Big-Inch pipelines for gas under the emergency lease which was granted at the end of November to end on the 30th of April.

44 As most of you know, having found that we had a coal strike on our hands, and that meant a shortage of fuel, and at the same time a shortage of gas in the Appalachian and eastern mid-continent regions, here were a couple of lines that were lying there and costing the Government about \$60,000 a month, \$60,000 to \$70,000 a month, just for caretaking.

I want to just take enough time to review just this little bit of the thing. I had nothing to do with this as Max W. Ball, Director of the Oil and Gas Division. I was merely brought in as a consultant, so my participation was merely that of consultant. But the thing that encouraged me about the whole thing was that within five days there were four claimants, four bidders, for the emergency operation of these lines.

We assembled a group of 12 government men, representing five different agencies, War Assets, Bureau of Mines, Geological Survey, Federal Trade Commission, and the Oil and Gas Division. Those men sat for three days in almost continuous session, reviewing the bids which were submitted to them, which covered a wide variety of proposals, and, with the exception of one man who didn't vote, arrived at a unanimous conclusion as to the form of the lease and the lessee, and a lease was granted, and within three days thereafter, gas was in the line.

Now, as to progress since then, I have asked our old

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friend Ed Swanson to report to you as to how the thing is going at the present moment.

MR. SWANSON: As Mr. Ball has said, the papers were signed on Monday, which was the 2nd of December, and within three days the first gas was put into the line. That was at noon on December 5.

The Carthage Field was connected to the line on December 9, through the Lone Star connection, and the first delivery of gas was made at Middletown on December 11.

I notice that Mr. Hunt came in just a few minutes ago, and this is appropriate, because on the 13th of December the Lucky Field in Louisiana, in which Mr. Hunt is interested, was connected to the line.

On the 14th, which was 10 days after the first gas was put into the line, the input reached the figure of 100 million cubic feet a day. It stayed at roughly 100 million cubic feet a day during the balance of December and through the first part of January.

On the 12th of January, the Jefferson Field was connected, and on the 13th the figure of input reached 125 million cubic feet a day.

In the calculations that we made we thought that the average input might be 100 million feet a day over the four-month period, and the rental at 6 cents a thousand, plus the money saved on the care and maintenance of the line, we

estimated, would net the Government roughly a million dollars. However, with this higher input and the slightly longer period of operation because of the early start, that figure will probably be exceeded by two or three hundred thousand dollars.

MR. HUNT: Is that a million dollars for the total period?

MR. SWANSON: For the total period of four months.

MR. WILSON: Is that all without intermediate compressors?

MR. SWANSON: It is all without compressors. Up through the end of December the input pressure was about 450 pounds and the output 150 pounds, but I think that has been increased since that time.

So far there has been 3,083,000,000 feet of gas put into the line through January 15. The average during the first 15 days of January was 109,000,000 cubic feet daily.

Mr. Hunt has another interest in the Heralton Field, and it is my understanding that the connecting line to that field is being laid and that will be tied into the Big-Inch. That will raise it up to 150 million or thereabouts for the total throughput then.

MR. HUNT: That's right, except I think that at Lucky they are putting in less.

MR. BALL: Thank you, Ed. I want to say in that connection that people who say that government agencies can't act fast were shown in that transaction that they could. This

47 committee of 12 men assembled on a little less than 48 hours' notice, and in three days reached a unanimous conclusion, with one man refraining from voting.

That conclusion was reached late Sunday evening. On Monday morning Secretary Krug approved it. By Monday afternoon the War Assets Administration had given their letter of intent, equivalent to a preliminary contract, and by 5:00 or 5:30 that evening, the Federal Power Commission had granted a certificate of convenience and necessity, and the thing was ready to go.

That is about all. Thank you, Mr. Chairman.

MR. HALLANAN: Thank you very much, Mr. Ball.

Mr. Majewski, we have reached the order of new business if you have anything to bring up.

MR. MAJEWSKI: Thank you, I do have. Now that we are in a spirit of amity and good will, making money for the Government, I have a resolution of appreciation and confidence that I would like to have introduced if time would permit, and if my poverty of English would have permitted me to adequately express it.

But you and others, everyone, have acknowledged the fact that Ralph K. Davies, in organizing this Council, in fostering the idea -- to all knowledge it is a fine thing, and you are now moving forward, as Mr. Ball said, in great spirit, cooperatively, and I would like to see this Council adopt by a

rising vote, a resolution of appreciation and confidence, which a drafting committee of five can put into the appropriate words.

Then I would like to see this resolution enrolled on the permanent records of this Council, and have a suitable copy presented to Mr. Ralph K. Davies.

I deem it a privilege and an honor to move the adoption and spirit of this resolution by a rising vote, the formal resolution to be prepared and spread on the record as if we today, now, were adopting.

MR. DOW: I second the motion.

MR. HALLANAN: All in favor will so indicate.

(Whereupon the motion was carried by a rising vote.)

MR. HALLANAN: The resolution is unanimously adopted.

MR. MAJEWSKI: Now, sir, I know that this Council cannot select its membership, but taking a leaf out of the Agenda Committee's --

MR. HALLANAN: Before you get on that, Mr. Majewski, are you preparing the resolution now that will be incorporated in the minutes?

MR. MAJEWSKI: No, sir, I asked the Chair to appoint a committee of five who could adequately put it in the words that I would like to if I knew how.

MR. HALLANAN: Well then, before we get to other matters, let the Chair proceed with that, and I will appoint --

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MR. MAJEWSKI: I will be glad to yield.

MR. HALLANAN: I will appoint on that committee Mr. Majewski, Mr. Jennings, Mr. Marshall, Mr. Drake, and Mr. Lovejoy.

MR. MAJEWSKI: Thank you. Where was I?

Of course, this Council cannot select its own membership and it would be too presumptuous even to suggest it, but taking a leaf out of the Agenda Committee's handling of these matters --

MR. JACOBSEN: Steamroller.

MR. MAJEWSKI: No -- yes, I would like to see a steamroller work on this, but it won't. That gives me an idea, Jake, that I will deal with in a minute.

This presumption, though, can be handled. We suggested that -- and the Agenda Committee concurred in it -- Mr. Ball can appoint a committee and we can reach a conclusion.

I don't want Mr. Ball to appoint a committee to suggest that adequate representation be afforded a large segment of the industry. I would like to deviate slightly from our very rigid rules and regulations and by-laws and suggest to you the appointment of a committee to confer with Mr. Ball for the purpose of suggesting to him the appointment of three representatives of the dealer and service station end of the business.

I would like to suggest on this committee, when it is

appointed -- and I don't want to be on the committee -- I want to suggest that you appoint people who are marketers, not that I have anything against my producing brethren, but I don't want to wind up with five guys from Texas on this committee.

(Laughter)

So, in a great deal of humility, I move the appointment of a committee of five to confer with the director of the Oil and Gas Division and suggest to him not to exceed three names of dealers who are entitled to membership on this Council.

MR. JACOBSEN: Not from Texas?

MR. MAJEWSKI: They can be from Texas, but I don't want the guys from Texas picking them.

MR. W. ALTON JONES: I second the motion.

MR. HALLANAN: You have heard the motion and it has just been seconded.

Mr. Ball, do you have any remarks?

MR. BALL: Mr. Majewski has evidently been thinking along somewhat the same lines we have, as not infrequently happens.

We have felt -- we have not only felt, but the Small Business Committee has reminded us and we have been reminded from other sources -- that there is this very large numerical segment of the industry, and it is not only large in numbers,

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it is large in importance, because as Barney said this morning, these are the boys who are in immediate contact with the public.

When this Council was set up, as I understand -- and I wasn't here when it was done -- nobody could figure out a way at once to get -- to use the words of a former President of the United States -- representative representation from this very large number of independent operators of service stations and trackside stations.

They are unorganized as a whole; they are individuals, and how you can pick adequate representation for them is a good deal of a problem.

Now, we had had this in mind, and the Secretary was going to express to you today what we were thinking of doing, and I am not sure that this hasn't gone out in a press release so it is too late to recall it, that we follow somewhat the same procedure that was followed when the original PIWC was appointed, and through the press invite nominations of men who would represent this very large segment of independent dealers.

I think, as I say, that the press announcements probably have gone out; it is too late to recall it, and we may have to go through with that. But I don't see that that in any way need conflict with Barney's motion that you create a committee to advise with us, because obviously we will get

52 far more nominations than we can use. I mean, I hope we will get hundreds of them, and out of that number we will have the task of selecting a very few, and if this committee were created and would advise with us as to the proper selection from the nominations we get, or furnish us with further nominations, I, for one, should welcome it.

MR. HALLANAN: It is a matter that is under consideration.

MR. MARSHALL: Let me get this straight. You have already asked for nominations? They are coming in?

MR. BALL: We haven't asked for them, but I fear a press notice has gone out saying we are going to ask for them, so that we are, in a measure, committed to it, and that will be merely an invitation through the press.

MR. MARSHALL: I see.

MR. BALL: It seems to me this committee could be very helpful in assorting and sifting those nominations and adding other nominations to it. I don't see why there is any conflict involved.

MR. HALLANAN: Are there any remarks?

MR. WILSON: I would just like to raise a question for some of the lawyers to answer.

Aren't we in a little danger when we start having anything to do with our own membership? It seems to me that is a responsibility of the Government. Mr. Ball can call in anyone

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he wants to advise him, but if we start to take part in the selection of our own members, in the first place we are going to be deluged with demands from other people, and in the second place I don't believe our legal position is as good as if it were entirely a matter of selecting outsiders.

However, I would like to hear from some of our eminent counsel.

MR. MAJEWSKI: I didn't suggest that this Council approve them. I suggested that five members of this Council who were qualified and knew the dealers of the country would confer with Mr. Ball and make suggestions to him, not on behalf of this Council, just like that committee that would make recommendations dealing with the secret military figures, if you please.

Now, if you don't want to approve the recommendation, I have made my point known.

If the Oil and Gas Division has already sent out a press release, fine, but I think that you have a right to say something about your membership. I think you have the same dignity and status of the Senate of the United States, sometimes, I think, even more. They certainly criticize who sits with them and the people elect them. You have to have an operation to escape it sometimes.

Now, all I am saying is that we have got a right to make suggestions to give full representation to a branch that is not represented, and it will be the greatest gesture of

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public relations if this Council will concur in the resolution that I have just suggested. That is where your public relations starts, not here.

I didn't know about what you were sending out in press releases.

MR. HALLANAN: I am wondering, Barney, if that will complicate the machinery. Evidently the release has been sent out, but the Secretary had put this matter in motion. Now, if we follow the adoption of your resolution, I am wondering whether our position is entirely free from criticism that we are trying to get on the bandwagon or that we are trying to emulate the example that the man who has the power of appointment has already initiated.

MR. BALL: Might I make a suggestion, or a couple of suggestions, that might give us a smoother way of acting.

It seems to me -- and here again I am speaking without advice of counsel -- it would be entirely appropriate for this Council itself to adopt a resolution that this large segment of the industry should be given representation. It seems to me that is entirely appropriate, for you to take that action, and it is very laudable.

Then, if the Appointments Committee of the Council, as individuals and informally, will suggest to us the names of a committee to help us study the problem and pass on the nominations we have received, we will be very glad to have

their advice and assistance.

MR. MAJEWSKI: Mr. Chairman, I made this suggestion because I had been requested by a large number of dealer organizations in the Middle West to do so. They have been besieging Congress and the Oil and Gas Division to get representation, which they didn't get, so they asked me to bring it up here.

Now, I think in view of the remarks made by Mr. Ball, that all you have to do is to leave this motion on the books without taking any action and say that the action taken was already foreseen, was made unnecessary by the fact that the Oil and Gas division already recognized the fact that they should be given representation and were working on it, but I would like the motion to stand that it originated from the industry today.

MR. HALLANAN: You are willing to leave it in that status?

MR. MAJEWSKI: Yes, sir.

MR. HALLANAN: If there is no objection then, we will. Is there any objection?

MR. SKELLY: The only objection I would make is putting all producers on that committee.

MR. MAJEWSKI: Well, if they were like you, Will, I would take it, because you are a cattleman; you are not a producer.

MR. HALLANAN: Mr. Jacobsen, do you have an announcement to make of a committee meeting?

MR. JACOBSEN: No.

MR. HALLANAN: Gentlemen, unless there should be some emergency reason that would call for a special meeting in the interim, I have in mind that we would have the next meeting of the Council on Tuesday, April 15.

I would like to ask if there is any reason why that date would not be as acceptable to any of the members of the Council as any other time within that area of a month.

MR. DOW: That is the week of the semi-annual meeting in Cleveland.

MR. HALLANAN: What date?

MR. JACOBSEN: That won't conflict.

MR. DOW: Thursday and Friday.

MR. HALLANAN: This would come on Tuesday. The 15th is on a Tuesday.

(Discussion off the record.)

MR. HALLANAN: Well, that tentatively is the date we had in mind for the next meeting.

Is there any other business?

Mr. Zook.

MR. ZOOK: Mr. Chairman, no formal action was taken in connection with the release of the committee reports or the deliberations of the Council. Would you like to have some

57 some formal motion or some instruction by the Council?

MR. HALLANAN: I think it would be very helpful, Mr. Zook.

MR. ZOOK: This Council will only be successful if it has the support of the industry, and to receive that industry support, industry must be informed.

Now, I move that unless otherwise indicated by action of the Council, all committee reports be released to the public when approved by the National Petroleum Council, and those parts of the deliberations and action of the Council believed by the Chairman to be of public interest and not harmful to the national defense also be released.

That is the end of the motion, and in effect it gives the Chairman freedom of action to release all of the actions and deliberations of the Council which he deems advisable.

MR. HALLANAN: You have heard the motion. Is there a second?

MR. MAJEWSKI: I second the motion.

MR. HALLANAN: All in favor indicate by saying aye.

(Chorus of ayes.)

Contrary, no.

(No response.)

So ordered.

That, so far as I know, gentlemen, concludes the agenda for this meeting.

(Whereupon the meeting was adjourned at 4:55 o'clock p.m.)

